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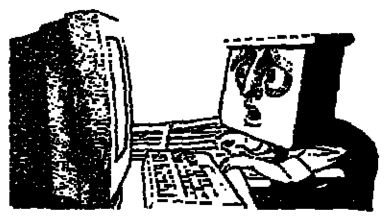
FINANCIAL TIMES

Start the week with...



Management
Changing face of corporate IT
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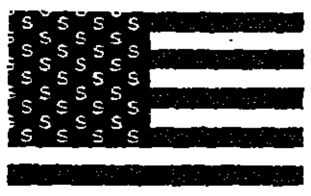

Michael Prowse
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The rise of the Webmaster
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World Business Newspaper — MONDAY FEBRUARY 26 1996

Bosnian leaders accused by UN of forcing out Serbs

United Nations relief officials accused the Moslem-Croat federation and Bosnian Serb leaders *of exerting pressure on Serbs* to abandon their homes in parts of Sarajevo which are set to come under Bosnian government control under the Dayton agreement. *Kris Janowski, spokesman for* the UN High Commissioner for Refugees, accused the Bosnian Serb leadership of manipulating the fears of Serbs about their fate at the hands of the Moslem-led Bosnian government. Page 18

Major faces battle over MPs' vote on arms report

The outcome of *tonight's House of Commons vote* on the Scott report's findings on the sale of arms to Iraq may depend on how the government pushes forward the Northern Ireland peace process, David Trimble, leader of the Ulster Unionists, warned. Alarm has been raised that the two important issues had become intertwined, and the Tories face a further embarrassment as it emerged that Conservative MP William Powell may have breached parliamentary disclosure rules as a result of his relationship with a lobbyist with Middle East connections.

Sinn Féin seeks to 'rebuild peace': British government officials will today meet Sinn Féin representatives for the first time since the Irish Republican Army abandoned its ceasefire amid signs of progress in the Northern Ireland peace process. Page 6

Forbes' win weakens Dole: Bob Dole, Senate majority leader, heads into the US Republican party's presidential primary election in Arizona tomorrow looking increasingly weakened after losing to Steve Forbes, the millionaire publisher, in the Delaware primary. Page 18; Alarm over protection, Page 5

BET, *the UK business services group facing a* hostile £1.8bn ($2.77bn) bid from Rentokil, has launched a pre-emptive strike against its rival by sending a letter to shareholders outlining the improvements BET has made in the past five years. Page 19

Wisconsin Central Transportation, the new US owner of British Rail's heavy haul freight operations, may build its own freight railway lines in Britain if Railtrack, the company responsible for the track network, is not willing to devote resources *to freight operations*. Page 6

The London Stock Exchange is coming under increasing pressure from investors and brokers to pull back from plans to introduce order-driven electronic trading alongside the current marketmaking system. Page 6; Editorial Comment, Page 17; Lex, Page 18

Japan and US seek to ease island tension: President Bill Clinton and Ryutaro Hashimoto, Japan's prime minister, have agreed a joint commitment should consider the redeployment of the 47,000 US military personnel stationed in Japan, possibly to reduce the heavy concentration of forces and ease the continuing tension on Okinawa. Page 5

Heineken is poised to become the largest brewer in Italy through its purchase shortly of Moretti from Interbrew, the Belgium brewer of Stella Artois. Page 19

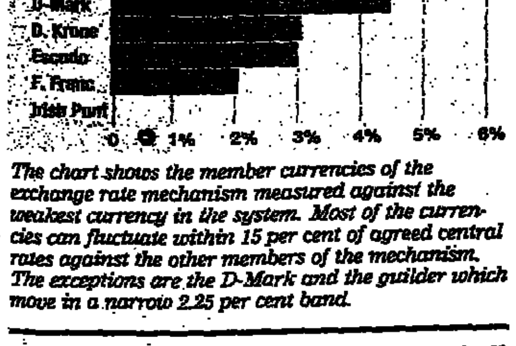
Umbro founders plan lawsuit: Members of the family that founded Umbro, the Manchester-based sportswear manufacturer in the UK, are planning to take legal action against its US parent which is preparing to float Umbro later this year. Page 20; The Big Red Steamroller, Page 12

WTO chief urges ambitious trade goals: Renato Ruggiero, director-general of the World Trade Organisation, called on member governments *to commit themselves* to achieving multilateral trade system goals at least as ambitious as those they are pursuing in regional trade arrangements. Page 4

Cricket World Cup: *England suffered* a 78-run defeat when they were dismissed for just 152 by South Africa who had scored 230 at Rawalpindi, Pakistan. Pakistan marked their opening match with a convincing nine-wicket victory over the United Arab Emirates at Gujranwala, Pakistan. The *match was reduced to 33 overs after rain.*

European Monetary System: *There* was no change to the order of currencies in the EMS grid last week, but the spread between strongest and weakest widened by nearly one percentage point. This coincided with a slight retreat by the dollar, though it was bolstered by Bank of Japan support. German investors nervous about prospects for Emu, Page 21; Currencies,Page 27

EMS: Grid — February 23, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Palestine suicide bombers kill 25

Two Hamas attacks in Israel hit Peres' election chances

By Julian Ozanne in Jerusalem

Palestinian Islamic bombers yesterday killed 25 people in two horrific suicide attacks in Israel, *dealing a blow to* the electoral chances of the Labour-led coalition government and the fragile *Israeli-Palestinian* peace process.

The bombings of a Jerusalem commuter bus and a soldiers' hitch-hiking post in southern Israel provoked grief and outrage across Israel, as well as disillusionment with a peace that has apparently not guaranteed improved personal security.

The Hamas Islamic Resistance Movement, which opposes the Israeli-Palestinian peace accords, claimed responsibility for the attacks and said they were to avenge Israel's killing last month of Mr Yahya Ayyash, a Hamas master bombmaker known as "The Engineer".

Mr Shimon Peres, Israel's prime minister, sealed Israel's borders with the Gaza Strip and West Bank and suspended peace talks, *but vowed that terrorism* would not defeat peace.

Mr Peres, who has recently *enjoyed a lead of up to 20 points* over rightwing Likud leader Mr Benjamin Netanyahu, refused to *be drawn on the impact of the* bombing on his electoral campaign. Aides said a wave of bombings could spell disaster for the government in the May 29 polls.

Angry crowds jeered the veteran Israeli leader when he visited the blood-soaked scene of the Jerusalem bombing, where an Islamic extremist had detonated *a 10 kg bomb* packed with ball bearings and nails on a bus taking people to work in the morning *rush* hour.

Several people gathered at the charred wreck of Bus 18 and chanted *"Peres go home"* and "Death to Arabs". Twenty-three people died in that attack and two at the hitchhiking post. The bombers were among the dead.

Mr Yasser Arafat, the Palestinian president, condemned the bombings as an attack on the peace process. "This is not a military operation, it is a terrorist operation," he said. "I condemn it completely and I condemn any power behind it."

US President Bill Clinton said the bombings "offend the conscience of the world" and must *be brought to an end.*

The bombings, which caused the highest death toll in Israel *since* the Israeli-Palestinian peace deal in 1993, broke Hamas' six-month unofficial truce and *threaten to re-ignite a wave of* devastating terrorist attacks.

A Hamas leaflet called the attacks an "intelligence and military *victory*" *to avenge* the killing of Mr Ayyash, and warned of more attacks against Israel if *"the occupier enemy"* struck against Hamas "fighters and wanted heroes".

The leaflet suggested Hamas would cease its military operations if Israel desisted from attacks on Hamas activists and released Hamas prisoners.

Mr Peres vowed not to surrender to Islamic attacks. "We know this a brutal war but we have no intention of giving in to Hamas. Terrorism, however painful, will *not determine our fate.*"

Aides said the prime minister was deeply concerned about the prospect of further attacks with the election campaign, due to open officially in six weeks. A wave of bombings could swing security-conscious Israelis towards the Likud party, which has criticised the Israeli-Palestinian *peace process as harmful to* Israel's security interests.

Mr Netanyahu refused yesterday to condemn the government on a day of national mourning, but said: "Believe me, we will have plenty of time in the coming days and months to argue about the way to achieve peace and

Continued on Page 18
Bombs pile pressure on peace process, Page 4

Rescue workers and police searching for clues inside the commuter bus destroyed by Palestinian bombers in Jerusalem — Picture: Reuter

Pentagon to identify arms deals suitable for UK groups

By Bernard Gray, Defence Correspondent, in London

US officials have been told to draw up a list of arms contracts worth several billion dollars which could be awarded to British manufacturers.

The move follows complaints from the British government that its big purchases of American arms have not been matched by orders from the Pentagon.

Mr Paul Kaminski, the US defence under-secretary for acquisition and technology, has asked for a report on possible international collaboration, designed to identify arms programmes which could involve the UK. The report is due to be submitted by mid-March.

The US efforts follow remarks in Washington by Mr Michael Portillo, UK defence secretary, that there had to be a "two-way street" in arms equipment between Britain and the US if the British market was to remain open to US firms.

The US fears its companies' prospects in several large current UK defence competitions could be endangered if it does not give British arms manufacturers a better chance of competing for US orders.

US companies are tendering in competitions for a £2bn ($3bn) order for maritime patrol aircraft and *£2.5bn worth of missile* programmes.

Several large UK projects have recently *gone to* the US, most notably the £2.5bn order for tank-busting Apache helicopters and a £1bn order for Hercules transport aircraft. These decisions have damaged British relations with continental European countries and have threatened to bar Britain from the new Franco-German arms agency.

The Pentagon's list of possible programmes which could go to the UK include a $1bn US Navy and Marine Corps order for aircraft *laser designators* which

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US seeks UN action over Cuban air attack

By Pascal Fletcher in Havana and Nancy Dunne in Washington

The US yesterday called for an emergency meeting of the UN security council to develop an international response to the shooting-down of two small private aircraft by Cuban fighter jets on Saturday.

Mr Warren Christopher, US Secretary of State, said the "lawless and tragic" incident was "totally without justification" and should be addressed internationally because it was a violation of international law. He said it had occurred in the Florida Strait and was ordered by Cuba's "highest military authorities".

President Bill Clinton will be presented with "a range of options" produced during a meeting of the US National Security Council yesterday at the White House.

Mr Christopher said the US would consult its allies about a multilateral response, but the US would also act unilaterally. *Washington's response is likely* to include an end to the recent easing of US restrictions on contacts with Cuba.

The two aircraft were owned by Brothers to the Rescue, a Miami-based Cuban exile group which aids Cubans seeking to flee the regime of President Fidel Castro. Four men were on board *and are assumed to have died.*

The aircraft are believed to have ditched in international waters, but it was not clear last night whether the shooting took place in Cuban airspace.

Mr Clinton condemned the "broad daylight" incident and demanded an explanation from the Cuban government. He ordered US forces to scour the area for wreckage.

The Cuban government was unrepentant. It said the two airliners were "pirate" aircraft *which violated its airspace* as part of a hostile campaign by right-wing Cuban exiles in Miami. The shooting comes amid *attempts by the Cuban government* to improve its image and canvass increased international support for an end to the US trade embargo.

Measures have included moves *to negotiate a co-operation agreement* with the European Union, which would lend weight *to Havana's argument that* current US government policy towards Cuba is anachronistic and self-defeating.

European diplomats said the Cuban government's uncompromising attitude towards even moderate political opponents who favour peaceful dialogue was not likely to help the process of *negotiations for an EU-Cuba co-operation* accord.

The US government recently *eased currency, travel and trade* restrictions on Cuba and seemed likely to move towards a lifting of the decades-old trade sanctions if Mr Clinton won a second term.

In July, Brothers to the Rescue *members flew over Havana* dropping leaflets calling for the overthrow of Mr Castro. The Cuban government warned *that it would* intercept or bring down such aircraft, and the US Administration warned the group to avoid Cuban airspace.

Centre-right parties in Turkey set for new coalition talks

By John Barham in Istanbul

Leaders of Turkey's two rival conservative parties are expected to try again to form a coalition government after the collapse at the weekend of negotiations between the Islamic Refah party and the conservative Motherland party.

The talks between Refah and Motherland foundered on differences over *economic policy and* the running of the government body which controls and finances *Turkey's mosques.*

Mr Mesut Yilmaz, the Motherland leader, is now likely to *resume negotiations* with Mrs Tansu Çiller, caretaker prime minister and head of the True Path party. There were high-level contacts between the two centre-right parties over the weekend.

But Mr Yilmaz's position is weakened because he broke his election promise not to talk to Refah, while Mrs Çiller can present herself as champion of the secular state. True Path strategists believe they are poised for victory in the battle with Motherland *for control of Turkey's* centre-right, which traditionally represents half the electorate.

Mrs Çiller and *Mr Yilmaz* have held several rounds of talks since the December general election left Refah as the largest single party in parliament, with 158 of the 550 seats, and True Path and Motherland with 135 and 133 respectively. Two smaller left-wing parties hold the remainder.

The two centre-right parties share the same pro-western, free market policies, but deep personal *animosity* between the leaders has prevented a deal.

Their talks have repeatedly *failed*, as both *parties want to* hold the premiership in any coalition – True Path arguing *that it won more votes, Mother*land that it won more seats.

Observers say President Süleyman Demirel could now assume a crucial role in forcing the two centre-right parties to find a compromise and so avoid fresh elections. Under the constitution, Mr Demirel is required to call elections if a government is not formed by mid-March.

Mrs Tansu Çiller said at the weekend: "A government will emerge from the current parliament. *Motherland and True Path* can set up a government."

After talks with Mrs Çiller *failed, Mr Yilmaz went back* on campaign promises not to deal with Refah. He and Mr Necmettin Erbakan, Refah's leader, *met six*

Continued on Page 18

Albania	LEK220	Germany	DM4.00	Lithuania	Lit 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)	Es240	Turkey	L70,000
France	FFr11.50	Lebanon	LL3,000			UAE	Dh12.00

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Dini's plans for new party improper, says Berlusconi

By Robert Graham in Rome

Italy's centre-right yesterday claimed that it was improper for Mr Lamberto Dini to stay on as caretaker prime minister after his decision to create a moderate centre party to contest the general election in April.

"In a game of football, you would never find the referee and linesman playing for one of the two sides," said former premier Mr Silvio Berlusconi, who owns AC Milan, the current football League champions, and heads the rightwing alliance.

The right is concerned that Mr Dini will be able to exploit his position as prime minister to bolster his chances in the elections.

The alliance claimed Mr Dini would unfairly enhance the electoral prospects of the centre-left alliance which provided parliamentary support for his government.

Mr Dini, recruited from his post as director-general of the Bank of Italy to be treasury minister in the 1994 Berlusconi government, announced his decision late on Friday. He resigned as premier on January 12, but has become caretaker following the failure to form a new government and the dissolution of parliament last weekend.

Mr Dini has been under intense pressure from a variety of parties to enter the political arena formally. He has staked out his independence but made it clear the centre-left alliance, dominated by the Party of the Democratic Left (PDS) is a logical ally.

Pollsters suggest a centre party headed by Mr Dini, who will almost certainly stand in his native Florence, could obtain 8 per cent of the national vote.

The strongest protest over his move came from Mr Berlusconi, whose Forza Italia movement risks losing votes to Mr Dini.

He said: "We wish to express our profound bitterness to the head of state over the way a government considered neutral and in place to guarantee Italy's European presidency should today become a party to the election campaign beside the Olive [the symbol of the centre-left alliance]."

The most prominent ally of Mr Dini in his new venture is Mr Mario Segni, the former Christian Democrat leader of the referendum movement, who has found himself ill at ease with the PDS-controlled centre-left alliance.

But Mr Dini has also found supporters among former members of the now defunct Socialist party and from Mr Vittorio Cecci Gori, a senator for the centrist Popular party (PPI) who is trying to create a third television network round his newly acquired channels, Telemontecarlo and Videomusic.

Mr Dini's task will not be easy. Mr Massimo D'Alema, the PDS leader, bluntly warned him against trying to break Italy's nascent bipolar system by creating a third force. This was seen as a reminder that Mr Dini had been able to survive and prosper as premier last year thanks to the PDS and its allies. Some of these allies – especially the former centrist PPI – see Mr Dini as a direct competitor for their electorate.

The entry of Mr Dini also raises question marks about the position of Mr Romano Prodi, the former head of Iri, the state holding company, chosen last year to head the centre-left "Olive" alliance.

Mr Prodi has failed to establish a strong public image and Mr Dini is now a rival for the prime minister's job after the elections.

In what seemed a curious coincidence, Mr Prodi was informed by magistrates last Friday that he was under investigation for alleged abuse of office while running Iri in 1993.

The incident concerns the privatisation of the foodstuffs group, SME. Mr Prodi said over the weekend that he had a clean conscience and refused to be blackmailed over the affair.

Siberian oilmen welcome cash flight

Companies seek ways of avoiding cycle of debt, reports **Chrystia Freeland**

Every few months Vitali, Sasha and Dima put on long, woolly underwear and three pairs of socks, and strap on pistols before boarding a rickety Aeroflot jet headed for Siberia with almost a third of a million dollars' worth of crisp new roubles in their carry-on luggage.

Depending on the weather, their arduous journey – a 3½-hour flight from Moscow to the Siberian city of Novyi Urengoi, followed by a frigid 90-minute ride in a helicopter even further north to the small settlement of Gaz-Sala – can take as long as four days.

But, in the wild world of post-communist Russia, dispatching three armed security guards loaded with 40lb of cash is the most efficient way to pay the workers of the far north who produce the oil and gas which is their country's lifeblood.

Revellers dance around a burning dummy symbolising winter, in Moscow's Gorky Park, in festivities marking the end of winter. AP

Vitali, Sasha and Dima represent one of the countless cumbersome and costly strategies which Russian businesses adopt to navigate the wave of wage arrears which threatens to engulf the economy.

Unpaid wages, which total at least Rbs20,400bn ($4.3bn) according to official statistics, are one of the country's most crippling economic problems and have become a central issue in the campaign for the June presidential elections.

In an effort to appease disgruntled voters, many of whom have not seen wages for several months, President Boris Yeltsin last week promised to resolve the wage arrears crisis completely by next month.

It is a politically attractive pledge, but many economists have warned that it will be impossible to fulfil. The Kremlin owes only Rbs3,500bn to government employees such as doctors, teachers and soldiers. The rest is owed to workers in privatised or partly privatised enterprises.

The tenuous financial life of Zapolarneftegazgeologia (ZNGG), the Arctic oil and gas exploration company which is periodically bailed out by the cash-couriers from Moscow, suggests how difficult it is likely to be for many companies to find their way out of the maze of Russia's fledgling market economy.

Like many Russian companies, ZNGG – the sole employer for the 3,000 residents of Gaz-Sala, a snow-bound settlement north of the Arctic Circle – has brilliant prospects, but today leads a miserable, hand-to-mouth existence.

As an oil and gas exploration company, it has the right to acquire valuable production licences. That made ZNGG an attractive buy for Nipek, an aggressive Russian investment company based in Moscow which bought a majority stake last year. But to gain *de facto* control, the new owners had to fight a pitched battle with the old management which lasted nearly six months and crippled the company.

"The enterprise was paralysed by this war," says Mr Joseph Piradashvili, the new, Nipek-appointed director.

Like thousands of potentially profitable Russian companies, ZNGG is caught in a web of debts from its clients and enormous, unpredictable tax bills. The company owes Rbs42bn in taxes, but the government and Gazprom, Russia's monopoly natural gas exporter and the country's richest concern, owe ZNGG Rbs30bn.

The main victims of the financial crunch are ZNGG's 2,000-plus employees.

"The most difficult thing for me is psychological," said Mr Piradashvili, a multilingual former theoretical physicist forced into commerce by the collapse of the Soviet Union. "People come to me with tears in their eyes and beg for their wages and I must be hard and refuse. I have become like that caricature of an evil capitalist whom we used to read about as schoolchildren."

But Mr Piradashvili and his bosses in Moscow are doing their best to keep ZNGG afloat because they know that if the company stops operating it will not be awarded the promised oil and gas production licences.

Since Nipek took effective control of ZNGG, it has reduced overall wage arrears from Rbs9bn to Rbs4bn. To do that, Mr Piradashvili has resorted to some creative manoeuvres. Using the security guards, who delivered Rbs1.5bn to pay wages earlier this month, is one example.

One advantage of the couriers is that they allow Mr Piradashvili to avoid the walloping 7 per cent commission local banks charge for the cash withdrawals.

Moreover, the cash transaction, and some fancy legal footwork, allow ZNGG to dance around crippling financial regulations which can make it impossible for indebted companies to pay their workers. If Nipek were to put money directly into its new subsidiary's accounts to pay wage arrears, the money would be claimed immediately by the government to go towards ZNGG's tax bill.

Over the next four months, Mr Yeltsin has promised to bring Russians a modern market economy where wages and taxes are paid on time. But, for the people of Gaz-Sala and other remote Siberian settlements, Russia has over the past four years become a byzantine place where wages are paid from suitcases delivered by armed messengers, or not at all.

Brussels may take softer line on anti-dumping

By Caroline Southey in Brussels

The European Commission could shortly agree to turn down two requests from industry to impose duties on "dumped" imports from third countries, providing fresh evidence that the Commission is moving towards a more discriminatory anti-dumping policy.

Two highly sensitive cases involving 3.5 inch floppy disc (mini-disc) imports from Hong Kong and hydraulic excavator imports from South Korea are under review by the Commission. Final decisions are not expected until next month at the earliest, but there are indications that the Commission could recommend that in neither case could it find any evidence of dumping – pricing exports at levels below those in the exporting country.

If the Commission decides not to impose duties in these two cases, it would indicate that the EU is becoming less protectionist and more critical in its review of anti-dumping cases.

Pressure has been mounting on the EU to review its anti-dumping policy, following criticisms that its aggressive approach against imports ranging from electronics components to raw materials was undermining global trade liberalisation and sheltering inefficient producers.

The EU already has already imposed duties on micro-discs imported from Hong Kong and a number of other countries. At the request of European producers, it has been investigating whether there is a need for additional measures. The investigation has also covered eight other countries, including Malaysia and the Philippines.

The micro-disc case is particularly sensitive because the Commission is, for the first time, looking at "circumvention" practices in these countries. This involves establishing whether countries have moved production in order to avoid anti-dumping measures.

"Anti-circumvention" cases are controversial because there are no rules governing such practices under the World Trade Organisation. Disagreements among WTO members during the last world trade talks meant the issue was left unresolved, despite earlier US pressure for the inclusion of a tough clause on circumvention.

In the case of the export of excavators from South Korea, recent evidence suggests there is little evidence of large-scale dumping. At the same time, EU producers who initially sought the investigation appear less concerned about dumping following a strong recovery in the market.

The complaint, initially filed by the Committee for European Construction Equipment, covered self-propelled excavators weighing more than six tonnes. Early last year Cece said it believed continued dumping by the South Koreans could, in the long term, force some companies out of business.

Spend more, French told

By Andrew Jack in Paris

The French government this weekend wound down a publicity campaign designed to help boost sluggish consumer spending, which had met with a mixed reaction from the advertising profession.

Two weeks of appeals on national radio stations appear to have done relatively little to boost interest in a series of measures designed to help stimulate the economy.

The campaign, jointly co-ordinated by the Matignon, the prime minister's office, and the ministry of economics and finance, ran under the slogan: "Recovery... we'll bring it about together."

At a time of calls for budgetary rigour, the government stressed that the total costs of the campaign – running on eight radio networks since February 10 – were just FFr7m ($1.4m), and were produced by a freelance rather than by an expensive advertising agency.

They involved testimonials with seven people describing how they would be taking advantage of a series of measures announced by ministers in the last few weeks.

The measures include tax deductions on loans taken out to spend on consumer goods; lower interest rates to renovate or buy accommodation: and similar discounts for borrowing by small business and local communities.

The government estimated that the radio broadcasts, scheduled to go out at peak listening hours, should have been heard on average eight times by 80 per cent of French people aged 20-60.

Its campaign comes at a time of gloomy predictions about the French economy. Mr Jean Arthuis, French economics minister, launching the new initiatives at the end of January, conceded that growth was lower than expected, but argued it would recover during the second half of the year.

Some economists are more sceptical, and argue it is now unrealistic to expect France to be able to reduce its budget deficit to 3 per cent by the end of next year to comply with the Maastricht treaty ahead of monetary union.

The measures themselves have also come in for criticism, with bodies such as the Patronat, the French employers' federation, arguing that business investment rather than consumer spending is the way to help relaunch the economy.

INTERNATIONAL NEWS DIGEST

Gunfights in Bangladesh

Opposition militants clashed with police and fought gun battles with government supporters yesterday in a campaign to force Bangladesh's newly re-elected prime minister, Begum Khaleda Zia, from power. Opposition leaders fled their homes as police searched the country on the second day of a violent non-cooperation campaign that has cost two lives and injured 130 people.

Witnesses said only rickshaws and a few state corporation buses moved in Dhaka yesterday. Trains, ferries and inter-city buses were mostly not running. The country's two stock exchanges, in Dhaka and Chittagong, were closed. Only senior employees turned up in government offices. Private offices were closed. Most banks kept their doors shut.

Today is the last day of a 72-hour national stoppage called by opposition parties to protest at the alleged unfairness of the recent general election. *Reuter, Dhaka*

Violence growing in Egypt

Egyptian security forces yesterday said that attacks by Moslem extremists on villages in the southern province of Assiut which killed eight people over the weekend had brought to 24 the number of people who have died over the past 10 days in militant violence which continues to plague isolated parts of Upper Egypt.

Until the latest spate of attacks the violence had been contained to a number of areas in the Minya province, but the spread to other areas has concerned local authorities who thought they had successfully dealt with the problem. In an interview with a local magazine yesterday Mr Hassan al-Alfi, interior minister, said he would again upgrade the level of security forces in the region "to strike at the remaining handfuls of terrorists".

Last week, the militant group responsible for most of the attacks, Gama'a al-Islamiya, warned of increased operations in Upper Egypt and in Cairo, which has been free of militant violence for more than a year. *James Whittington, Cairo*

Seoul boost for foreign investors

The ceiling on the foreign ownership of listed South Korean companies will be raised to 18 per cent from 15 per cent from April 1, the finance and economy ministry said yesterday.

The measure is meant to help win approval for South Korea's entry into the Organisation for Economic Co-operation and Development this year, while also boosting the sluggish Seoul bourse ahead of parliamentary elections in mid-April.

The ceiling on individual foreign investment in a listed company will be increased from 3 per cent to 4 per cent.

Total foreign investment in two "strategic" state companies, Pohang Iron & Steel and Korea Electric Power, will be raised to 12 per cent from 10 per cent, although the limit on individual foreign stock ownership in these companies will remain unchanged at 1 per cent. *John Burton, Seoul*

Korean banks' bad loans rise

Bad loans of South Korea's 25 commercial banks rose by 19.2 per cent to Won2,290bn ($2.9bn) last year, although the ratio of non-performing loans to total lending remained unchanged at 0.9 per cent. Seoul Bank had the largest amount of bad loans at Won520.6bn – 2.6 per cent of its total loans.

The Office of Bank Supervision said the ratio of bad loans to total lending was the lowest since the late 1980s. This follows an aggressive write-off of non-performing loans in the last few years, with the government encouraging banks to clear their books of bad debts by 1998. Total lending also increased faster than the growth in bad loans last year.

The jump in the non-performing loan amount was due to the bankruptcy of several big corporate borrowers and a sharp rise in credit card loan defaults.

However, most bank analysts believe the extent of the bad loan problem is much larger than admitted by the government. *John Burton*

Chechen fighting may spread

Russia's protracted and unpopular war in Chechnya threatened to spill into the neighbouring region of Ingushetia, when Russian forces pounded an Ingush village with artillery fire for the fourth day yesterday. (Left: a Russian conscript has breakfast in Ingushetia.)

Russian officials denied they had attacked Ingush targets and said they were trying to flush out Chechen separatist fighters from a nearby Chechen town, but witnesses confirmed that Russian guns were firing on the Ingush town of Arshty.

The Ingush have close ethnic, religious and historical ties with their Chechen neighbours, but the region has carefully avoided being drawn into the fighting since it began 14 months ago.

Ingush officials said yesterday an agreement had been made on a Russian withdrawal, but there was no confirmation from Moscow. The Ingush said up to 6 civilians had already died in the fighting on their territory and warned that Moscow's actions risked spreading the war beyond the borders of Chechnya. Some Ingush leaders have accused hardliners in the Russian military of deliberately seeking to escalate the conflict to create a pretext for a postponement of June presidential elections.

President Boris Yeltsin has repeatedly pledged that the ballot will be held on time. He has also promised a swift end to the bloodshed in Chechnya but has yet to produce a workable peace plan. *Chrystia Freeland, Moscow*

BBC World on move in Asia

BBC World, the BBC's international news and information channel, will from April 1 transmit to South Asia, one of the channel's biggest audiences, from Pan-Am Sat 4, when its present agreement with Mr Rupert Murdoch's Star TV expires at the end of March. BBC officials said they had agreed a long-term lease of a PAS4 transponder with the aim of safeguarding the British broadcaster's second biggest international audience outside Europe. BBC World claims to reach 8.5m homes in India and 12m in South Asia. Star TV will also said it would continue to discuss "distribution opportunities" with the BBC. *Mark Nicholson, New Delhi*

End Emu debate, Kohl pleads

By Andrew Fisher in Frankfurt

German Chancellor Helmut Kohl yesterday called for an end to discussion about the timing and membership of European monetary union and said he opposed moves to delay its start beyond 1999.

His comments, in a television interview, came amid growing uncertainty among German businessmen – especially at small and medium-sized (*Mittelstand*) companies – and the public about Emu's implications. Many private investors are also shying away from the purchase of securities which mature after Emu begins and the D-Mark is replaced by the Euro.

Mr Kohl firmly repeated the Bonn government's view that Emu must be based on strict adherence to the Maastricht treaty's economic criteria and begin on schedule on January 1 1999. He said his emphasis on the need for stability did not mean he favoured a postponement of Emu beyond 1999.

"Stability has always had the absolute priority for me," he said. "But you cannot read that to mean that I am for a postponement of the timetable - absolutely not." Much recent debate on Emu has centred on whether enough countries will qualify to start Emu in 1999 and whether, if not, the plan should be delayed or the criteria softened.

"I think we should stop this discussion over who is coming now or who can and who cannot [become a member of monetary union]," Mr Kohl added. "Everyone has to do his homework. We Germans have a lot to do in this area." Germany exceeded the Maastricht criteria on public deficits last year – the treaty states these should be no more than 3 per cent of gross domestic product – and also expects to overshoot in 1996.

Mr Theo Waigel, the finance minister, denied a newspaper story that his ministry had prepared a report to the German parliament's finance committee saying falling tax revenues and plans to cut unemployment would push the public deficit so high that the criteria would also be missed in 1997. He called this "pure speculation".

The report, in Bild am Sonntag, the Sunday tabloid, said Germany would miss the target next year with a deficit of around 4 per cent of GDP compared with the 3.5 per cent forecast for 1996. It said this would be caused by falling tax revenues as a result of the weak economy and the impact on spending of plans to cut high unemployment.

"Who can say today that we won't fulfil the criteria in 1997?" Mr Waigel said. He pointed out the 1997 budget was not yet adopted and the impact of the recent 50-point jobs plan was still unclear. He insisted that the government still held to the 1999 starting date for currency union.

Investors nervous, Page 21

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Spaniards vote next Sunday, choosing between Socialists and the Popular party. **David White** looks at the parties' chances and the way the electoral system works

Aura of power now attached to Aznar

"This is not about who wins, but by how much," Mr José Maria Aznar said at the launch of the Popular party's campaign manifesto in Spain three weeks ago.

His confidence has been vindicated by pre-election opinion polls. With less than a week to go, it would take an amazing upset to deny the centre-right party its first general election victory.

Mr Aznar himself, 43 yesterday, has become more self-assured, less stiff, as if the aura of power were already attaching itself to him.

The PP never really accepted its defeat at the last election three years ago. A repeat of that reversal, when the ruling Socialists unexpectedly snatched a fourth consecutive victory, looks ever more remote.

Weekend polls in four main newspapers showed the PP gaining ground, with a lead of between 6 and 11.6 points, probably enough to govern on its own, although only one put it clearly above the 176 seats needed for an outright majority in Congress.

With such consistent expectations, the PP is fighting against complacency in the closing stages. As Mr Aznar made clear at the outset, the arithmetic of seats will be crucial.

His plans for overhauling Spain's administration depend greatly on being free to govern, without having to strike deals with smaller, regional parties.

Mr Felipe González, the 53-year-old prime minister, in his busiest and toughest campaign since coming to power in 1982, is trying to keep Socialist party hopes alive, saying it is really "a stone's throw" from the PP. But Socialist leaders, demoralised by the impact of corruption and other scandals, are all but resigned to defeat.

They are running a defensive campaign under the slogan "Spain, the positive side" – trying to rally supporters to the defence of Spain's welfare system, while their opponents swear they are not trying to attack it.

The Socialist message relies heavily on the theme of a hidden PP agenda.

"It's not the best campaign of our history," says a long-standing Socialist regional leader. He gives the PP seven marks out of 10 for its campaign, and his own party four.

The PP is running under a less obscure motto – "With the new majority" – clearly designed to convey the idea of a bandwagon ready to be jumped on.

Its campaign has been orderly and tightly controlled. Nobody has been caught making gaffes such as praising General Franco – as a candidate did during last year's municipal elections – and Mr Aznar has resisted being drawn into slanging matches. The party has kept up an image of unity. "In Spanish parties you cannot afford to bring internal debates out into the open," says a senior PP politician.

The Socialists, by contrast, have been in disarray, with factions squabbling over places on lists of candidates. In Vigo, the centre of last year's European-Canadian fishing conflict, they threw chairs at each other.

The Socialists have bolstered their candidates' list by recruiting non-MP members of government such as Mr Pedro Solbes, finance minister, and Mr Juan Alberto Belloch, justice and interior minister. The PP, meanwhile, has broken its own rule that people should not be mayors and MPs at the same time by fielding its popular women mayors in the Andalucian cities of Cádiz and Málaga. It is looking for big gains in Andalucia, which is holding regional elections at the same time.

The Socialists have adopted provocative tactics, outraging the PP with television spots depicting "negative Spain" in sinister black-and-white images including a savage Doberman. In Catalonia, Socialist posters show Mr González's eyes next to Mr Aznar's moustache. "Felipe or Aznar – you decide," they say.

"Never has it sunk so low," says Mr Aznar. But, in an election overshadowed by Basque violence, the Socialists also accuse the PP of dirty play in attacking the government's anti-terrorist record.

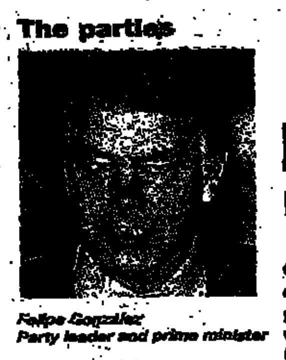
Opinion polls – often unreliable, and prohibited after today – have been consistent in reckoning the PP's share of the vote at around 41-42 per cent. They differ much more in their estimate of the drop in the Socialist party's vote, and the gains for the Communist-led United Left (IU), out to beat the Communist party's late-1970s record of just under 11 per cent.

In local elections last year, the Socialists lost support to both the PP and IU. Socialist planners do not expect to retrieve votes from the PP. Their result will depend on how much of a "useful vote" they can win away from IU and how successful they are in persuading people not to abstain. Abstention, 20-30 per cent in previous general elections, has become more the left's problem than the right's.

Millions of Spaniards are still undecided. PP strategists say 500,000-700,000 will probably make up their minds at the last minute. And, in a country where lotteries have a longer history than elections, there are always those who will vote for whichever party looks like winning.

Spain goes to the polls

The parties



Felipe González
Party leader and prime minister

The Spanish Socialist Workers' party is the country's oldest existing political party and has been led by González since 1974. Losing the first two post-Franco elections in the late 1970s to the now-defunct Union of the Democratic Centre, he forced the party to drop its Marxist label. In government since a landslide win in 1982, it has struggled for the last three years without a parliamentary majority and with divisions in its ranks.

José María Aznar
Popular party leader

Formerly the Popular Alliance, founded in the early post-Franco period to represent the Spanish right, the Popular party has been reformed since 1990 under the leadership of Aznar, who steered it towards the political centre. It fell short of an expected general election victory in 1993 but has since established clear victories in European, regional and municipal contests and now leads the national election opinion polls.

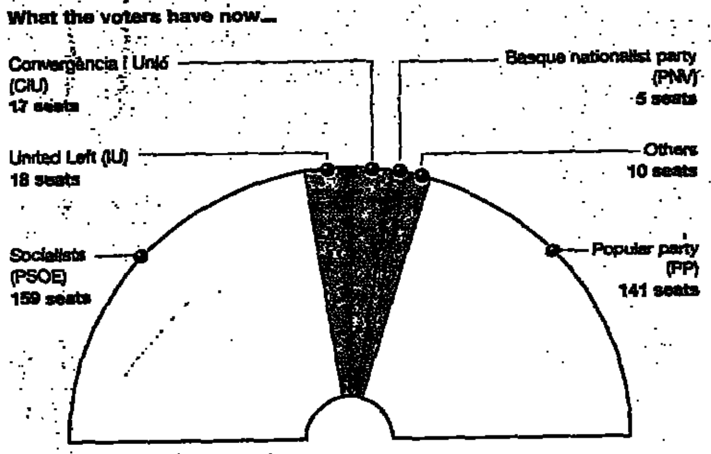
The United Left coalition is based on the Spanish Communist party, which was the principal underground force opposing the Franco regime. IU has provided a home for dissident Socialists, ecologists and independents. Led by Julio Anguita – a severe critic of Socialist economic policies and called "the ayatollah" by some opponents – the party attracts a protest vote from the young and from sectors of the trade union movement.

The Convergència i Unió coalition represents moderate Catalan nationalists and Christian Democrats and has been the mainstream political group in Catalonia since the early 1980s. Coalition leader Jordi Pujol, now in his fifth term as Catalan president, precipitated the general election by withdrawing support from the minority Socialist government last year and ensuring the rejection of its 1996 budget.

The Basque Nationalist party is a century-old formation founded on the principle of a separate Basque identity. It is the dominant party in the Basque regional government, but, after a schism in the mid-1980s, has had to rely on alliances with other parties, including the Socialists. Its leader is Xabier Arzalluz, an ex-Jesuit who, under the party's peculiar rules, cannot hold public office.

The parliament: Congress of Deputies, 350 seats

What the voters have now...



The polls

...and how they say they'll vote*

(1993 results in brackets)	% of vote	Seats
Popular party (PP)	40.5–44.1% (34.8%)	160–184 (141)
Socialists (PSOE)	28–34% (38.8%)	108–145 (159)
United Left (IU)	11–15% (9.6%)	19–35 (18)
Convergència i Unió (CiU)	4–4.5% (4.9%)	13–17 (17)
Basque Nationalist party (PNV)	0.8–1.5% (1.2%)	4–7 (5)

*Ranges of opinion results published in the last two weeks by ABC, El País, El Mundo, La Vanguardia, Colpisa, El Periódico/Antena 3

An old Spanish voting practice ripe for reform

Most of the 350 men and women who will be elected next Sunday to Spain's Congress of Deputies will be unknown even to the people who vote for them. So were most of the outgoing Congress.

The reason is an electoral system conceived to smooth Spain's return to democracy but now regarded by the main political parties as needing reform.

The parties loom large in Spanish public life, but parliament and its proceedings hardly figure at all.

Both the Socialists and the centre-right Popular party are now for the first time proposing changes. The thrust of their proposals is to allow voters to express preferences between individual candidates rather than having to opt, as now, for fixed lists drawn up by the parties.

The faces on electoral posters all over Spain are the No. 1 candidates on party lists. But in almost every case, both the PP and the Socialist candidates on the posters are certain to be elected. The election determines how many others get in behind them.

The constituencies are the 50 provinces of the Spanish mainland and islands, plus the North African enclaves, Ceuta and Melilla. The seats are distributed according to population. But, with a minimum of three per province, the ratio varies. Barcelona's 31 deputies work out at one for every 126,000 electors; rural Soria gets one for 26,500.

Each party or coalition presents a list of candidates, numbered in order of preference. Seats for each constituency are allocated under the D'Hondt formula, a proportional system named after its Belgian inventor.

It goes like this. The number of votes received by each party is divided successively by one, two, three and so on up to the total number of seats at stake. The resulting figures, placed in order, determine how many from each list are elected.

The effect of this peculiar way of counting is to give the bigger parties more than their relative weight – a deliberate distortion designed to strengthen the party structure and make the country more easily governable.

A party can feasibly get a majority of seats with under 40 per cent of the vote; the Socialists did it in 1989. But if there is a strong second party, a larger share is needed.

The Communist-led United Left wants a more proportional system and an increase in the size of Congress from 350 to 400 members. This contrasts with the proposals of other parties, which focus on "unblocking" the electoral lists.

A wider consensus exists on reforming the Senate. On Sunday voters will elect 208 of the 256 members of the upper house. Each province gets four senators, with more for the islands. In this case, voters get to choose names. The remaining senators are currently nominated by the 17 self-governing regions.

The planned reform – which requires changing the constitution – would make it into a fully regionally based body, consolidating the devolution process that has taken place over the last 15 years.

Hamas violence heightens threat to Peres coalition as Israeli elections loom

Bombs pile pressure on peace process

By Julian Ozanne in Jerusalem

Can a wave of Islamic terrorist attacks destroy the electoral chances of Mr Shimon Peres, Israel's prime minister, and sabotage the Arab-Israeli peace process set in train by the Labour-led coalition government?

These are the key questions raised by yesterday's horrific suicide bomb attacks against Israelis as the country gears up for one of its most crucial elections in the 48-year life of the Jewish state.

Much depends on the extent to which Israelis believe there is any viable alternative to pressing ahead with the peace process and their capacity to repress their natural outrage and grief.

Defeat for Mr Peres and his Labour party at the May 29 general elections would spell an end to the peace process. Although Mr Peres has been riding a wave of public sympathy since the assassination of former prime minister Yitzhak Rabin last November, nothing is more capable of undermining his substantial lead over right-wing Likud leader Benjamin Netanyahu than a wave of terror attacks in the run-up to polling day.

In a country deeply concerned about personal security Palestinian guerrilla attacks strike violently at support for the peace process and the government overseeing it.

This is exactly the intention of yesterday's bombings carried out by the Hamas Islamic Resistance Movement, which claimed 25 Israeli lives.

The bombings are also a powerful and ugly reminder of the continuing hatred and animosity among many Palestinians for Israel and of the potential for violence that remains at this stage of the Israeli-Palestinian peace process, now at the half-way mark in a five-year timetable.

The attacks, which ended Hamas' undeclared six month truce, also show the failure of Palestinian President Yassir Arafat to reach a political accommodation with Islamic extremists after months of stop-go dialogue. This has strengthened the hand of hard-liners inside Hamas, allowing them to reactivate their military campaign.

"Hamas has to be dealt with and it has to be dealt with politically and Arafat has not yet realised this. He still thinks he can outmanoeuvre them without giving anything," said a Palestinian member of the legislative council.

So long as Hamas remains outside the peace process and seemingly beyond the reach of the Palestinian and Israeli security services it will be able to strike destructively at the peace process and the Israeli government.

"The attacks could be a big factor in elections," said Mr Uri Dromi, government spokesman. "God forbid that we will have more attacks but at the end of the day people will have to ask themselves then what. What can the opposition do to eradicate terrorism that the government hasn't tried already?"

In the past Palestinian suicide attacks, which have claimed more than 80 Israeli lives since the Israeli-Palestinian "Oslo" peace agreement was signed in September 1993, have had an immediate negative impact on the popularity of the process and the government.

But, in a move which should give the government comfort, pollsters say the Israeli public is becoming increasingly hardened to terrorist bombings and less likely to blame the government. Some pollsters believe many Israelis are now viewing Palestinian attacks as similar to bombings by the Irish Republican Army in Britain: impossible to stop.

The restrained reaction yesterday of Mr Netanyahu should also help dissipate any negative public reaction.

He refused to be drawn into criticism of the government handling of Israeli security and called upon Likud party youth-wingers not to mount anti-government protests during a two-day mourning period.

Nevertheless, the peace process will be the central issue in the election campaign, due to open formally in six weeks. The opposition will focus its attacks on the government's peace policy, arguing that it is jeopardising Israeli security.

Although Mr Peres has consistently held a 10-20 point lead over Mr Netanyahu since last November, Israel traditionally has a large body of floating voters who could easily swing towards Likud in the wake of Palestinian attacks.

The government will continue to press the case that there is simply no alternative to going forward with the peace process. They will also pile more pressure on Mr Arafat to crack down on the extremists.

Its only other option is to meet one of the demands made by Hamas yesterday and honour its commitments made in the peace accords to release thousands of Palestinian prisoners.

Releasing prisoners is unlikely, in itself, however, to curb Islamic opposition to the peace process. A greater responsibility rests on Mr Arafat to seek a political accommodation with Hamas which guarantees the Islamic movement genuine power-sharing in return for a cessation of violence. This, combined with more committed measures against those who refuse to give up violence, offers the best chance to consolidate the fragile peace.

Mr Arafat has shown little willingness to grasp the Hamas nettle firmly. But the Palestinian leader knows that if Hamas is not contained and continues its campaign of bombings, the future of the Labour government, and with it his embryonic state, is at serious risk.

An Israeli near the wrecked bus yesterday holds a burning copy of the Koran *Associated Press*

Iraqi killings unlikely to hit oil-for-food deal

Murder of defectors is condemned but UN moves go on, write **Robert Corzine and James Whittington**

The murder in Baghdad last Friday of two sons-in-law of President Saddam Hussein is unlikely to have a direct impact on talks with the United Nations on possible Iraqi oil sales.

There has been widespread international condemnation of the killing of General Hussein Kamel, former head of Iraq's military procurement system, and his brother Saddam Kamel, who along with their wives returned to Baghdad last week from exile in neighbouring Jordan. But diplomats said there were no signs that the oil-for-food talks, currently in recess, would be affected.

Arab diplomats have also ruled out any long-term political consequences as a result of the murder of the two men and several other members of the family. But they said the extraordinary events in Baghdad last week would strengthen the psychology of fear already prevalent in Iraq.

The return of General Hussein Kamel "was a godsend for Saddam," said one diplomat. "It removed an irritant and returned his daughters and at the same time it sends a strong message to the Iraqi people that they shouldn't even think of opposing the regime."

Few people had expected that Gen Hussein Kamel, formerly a powerful figure in Iraq's ruling elite, would survive long in Baghdad. But his decision to return to Iraq was thought to have come only after he had been guaranteed clemency, perhaps as a humanitarian gesture by Mr Saddam aimed at the international community which he is desperate to rejoin.

"Looking back, the only acceptable explanation for his return is that it was an absurd, irrational decision made by a deluded person who believed he had reached the end of the line," said one Arab diplomat.

Iraqi officials have sloughed off criticism of the killings. Mr Nabil Najim, Iraq's ambassador to the Arab League in Cairo, said: "His end had to be expected. He deserved the death penalty because he was a traitor who caused a great deal of damage to Iraq."

Although the speed with which the two defectors – along with their father and another brother who remained in Iraq – were killed took most observers by surprise, the outcome has reminded the people of Iraq and the international community that street thuggery remains the basic staple of politics in Baghdad.

Although diplomats say the killings should not upset the UN talks, they are bound to affect the atmosphere surrounding the negotiations on UN Resolution 986, which authorises Iraq to export $2bn of oil to raise money for food and medicine.

Some diplomats believe the events in Baghdad may make Mr Boutros Boutros Ghali, the UN secretary general, who is closely identified with the humanitarian initiative, more cautious when drawing up an implementation plan for Security Council consideration.

Even before the killings western diplomats warned that Mr Boutros Ghali's "credibility was on the line". "If he comes back to the Security Council with a plan that runs into problems, then he'll take the blame," said one diplomat.

Mr Abdul Amir al-Anbari, Iraq's main negotiator, returned to Baghdad yesterday to report on the first round of the New York talks. These highlighted areas where agreement has still to be reached, including the contentious issue of how the aid will be distributed within Iraq.

Although the talks went further than previous unsuccessful attempts to reach an oil-for-food deal, some Security Council members remain wary of Iraq's intentions. "It is still an open question whether Saddam is serious about accepting 986," said one diplomat.

But state-owned newspapers in Iraq yesterday detailed preparations being made to receive food and medicines under the plan. And some diplomats believe Friday's events make an Iraqi acceptance of 986 more likely. Mr Saddam, having seen off the most serious challenge to his leadership and "saved face" as a result of the defectors' deaths, can now afford to make concessions, they argue.

Another factor will be Mr Saddam's view of US-inspired moves in the region, especially growing rapprochement between Jordan, Kuwait and Saudi Arabia. Fears that Iraq's border with Jordan could be closed may convince him he needs to accept 986 to secure an independent lifeline to the outside world. "At the end of the day, if 986 does not fit into Saddam's bigger agenda, it won't work," says Mr Vahan Zanoyan, an analyst at the Petroleum Finance Company in Washington. "But seemingly unsurmountable hurdles can be overcome if it does."

Ambitious trade goals urged by WTO chief

By Guy de Jonquières in Brisbane

Mr Renato Ruggiero, director-general of the World Trade Organisation, has called on member governments to commit themselves to achieving in the multilateral trade system goals at least as ambitious as those they are pursuing in regional trade arrangements.

Mr Ruggiero – who has previously voiced doubts about the benefits of regional groupings – said they had now become as important as the multilateral system in shaping the development of international trade, and were contributing positively to the liberalisation of world markets.

However, he said the multilateral system differed from regional arrangements – such as the Asia Pacific Economic Co-operation forum, the North American Free Trade Agreement and the European single market – because it had set no target date for the achievement of completely free trade.

Mr Ruggiero did not explicitly endorse such a target date for WTO work. But he said he had got a strong message from an international trade policy conference in Brisbane, at which it was proposed WTO members commit themselves to creating by 2020 a global free trade area in which all would remove border barriers.

He said that, as well as matching the ambitions of regional trade groupings, adoption of such an objective by the WTO could meet demands by developing countries for freer access to industrialised countries' markets.

The conference, hosted by Mr Bob McMullan, Australia's trade minister, was attended by trade policymakers from 15 Asian, European and Latin American countries and by senior officials from the International Monetary Fund, the World Bank and the Organisation for Economic Co-operation and Development.

The US was the only leading trading power not to send a senior official to the conference, one of a series of gatherings planned this year to prepare for the WTO's ministerial meeting in Singapore in December. Washington claimed that budgetary constraints prevented it from being represented in Brisbane.

Mr Ruggiero said the idea of a global free trade area was likely to feature in discussions on the future of the multilateral trade system, though he did not expect it to be taken up formally in Singapore. He said WTO's top priorities were to implement the Uruguay Round world trade agreement, conclude promptly negotiations on liberalisation of telecoms and other services and continue reducing tariffs and other forms of border protection.

Keating narrows gap as Australian voting nears

By Nikki Tait in Sydney

Australia's governing Labor party yesterday appeared to be closing on the opposition as campaigning in the federal election entered its final week.

A Sun-Herald newspaper poll of marginal seats showed Labor 4 percentage points behind the coalition of the conservative Liberal and National parties, compared with as much as 12 percentage points four weeks ago.

In further boosts for Labor, Mr Paul Keating, the prime minister, seemed to have got the better of Mr John Howard, the opposition leader, in a televised debate last night, and Labor made a strong showing in Saturday's state elections in Tasmania.

A studio audience gave Mr Keating a clear win by 56 per cent to 44 per cent in the debate – the second between the two leaders. Mr Keating was given an edge by a similar audience in the first debate but by a smaller margin.

Mr Howard repeatedly accused Labor of breaking promises – on privatisation and tax cuts – over its 13-year tenure in government.

Mr Keating countered by criticising the coalition's determination to fund its promised environment programme out of the partial privatisation of Telstra, the government-owned telecom group.

There is little guarantee the Telstra sale will go ahead, as minor parties, opposed to such a move, are likely to hold the balance of power in the Senate, parliament's upper house.

In Tasmania's state election, there was a swing of more than 10 points away from the Liberals and largely to Labor. The poll is likely to leave Labor and the coalition with 15 seats each, with Greens and an independent holding the remaining five seats.

Labor has said it will not try to govern from a minority position, so the onus is on the existing Liberal administration to try to govern.

Both Labor and the coalition have warned against drawing too close a connection between state polls – coloured by local issues – and the federal election. Moreover, the Liberals polled well in the federal seat of Bass, in north-east Tasmania. This is currently held by Labor but is the most marginal seat in the country, with Labor's edge in the 1993 election being just 40 votes.

See Editorial Comment

Taiwan begins campaign for first presidential poll

By Laura Tyson in Taipei

Taiwan's presidential hopefuls began their election drives in earnest at the weekend as the official campaign period commenced for Taiwan's first direct vote for its highest office.

With voting just a month away, reports continued to mount that China, which regards Taiwan as a province in rebel hands, is massing forces in coastal Fujian province in preparation for large-scale military exercises. The manoeuvres are intended to sow worries and confusion in Taiwan ahead of the March 23 election, which China fears may be a prelude to a declaration of independence.

Taiwan's President Lee Teng-hui, the ruling Nationalist party incumbent, marked the start of the official campaign with a rare press conference in which he emphasised the need to stabilise fraught ties with Beijing and repeated his goal of signing a peace treaty with it.

Mr Lee, who is expected to win the elections by a comfortable margin, also said that a summit meeting between himself and President Jiang Zemin of China was possible, but would have to wait until an appropriate time.

The candidate for the leading opposition Democratic Progressive party, Mr Peng Ming-min, called on Beijing to recognise Taiwan's *de facto* independence and promised friendship in return.

The former dissident, known as the "godfather" of Taiwan's independence movement, said there was no need to declare independence as Taiwan was already a sovereign independent nation. However, he advocated an immediate declaration of independence in the event of a Chinese attack.

Mr Peng also criticised the ruling party for using its majority control of Taiwan's three television networks to promote Mr Lee's campaign and limit coverage of other candidates.

Meanwhile, Mr Lien Chan, the premier, narrowly retained his post as the head of a caretaker cabinet in a parliamentary session which went into the early hours of Saturday.

A large-scale cabinet reshuffle is scheduled for May 20 after the presidential elections. Mr Lien, who is Mr Lee's running-mate as the vice-presidential candidate, will step down as premier at that time.

Door open to wider Europe-Asia links

Bangkok summit gives EU chance to latch on to fast-growing world market

For many in Asia it is history in the making. This Friday leaders from Asia and Europe will sit down in Bangkok for a summit that will mark the first meeting between their two regions.

For some in Europe the event is mere schmoozing. There is no real agenda, and not much to expect by way of formal agreements.

Leaders who attend risk being accused of dallying idly in the Thai sunshine while their voters freeze in a European winter.

Yet as the opening draws nearer, scepticism is waning. The summit may mark the beginning of a new relationship, rather than an end in itself, but it provides an opportunity for Europe to latch on at last to a region with some of the largest and fastest-growing markets in the world.

Officials from both regions say more direct contacts are long overdue. Asia and the US have their own institutional ties through organisations like the Asia-Pacific Economic Co-operation forum (Apec). Europe and the US have similar ties, but there are none linking Europe and Asia. Bangkok should fill the gap.

Moreover, the meeting comes as the world is still groping for a new strategic balance in the post-cold war era. The break-up of the Soviet Union, the gradual emergence of China as an international power and a perception in Asia that the US is ambivalent about its security role, have left an explosive situation in the Pacific.

There is not just the question of China's stormy relations with Taiwan. There is instability in famine-ridden North Korea and conflicting claims to the Spratly Islands in the South China sea.

A stronger European relationship with Asia might help create a new balance of power and defuse these issues.

Some Asian countries, such as Singapore, make little secret of their desire to use the summit as a means of involving China in another web of multilateral relationships to reduce bilateral tensions in Asia.

Others focus more on the desire for a counter-balance to the US with its aggressive bilateral approach to trade issues.

However these broader security issues underlying the summit are unlikely to be broached directly. There will be talk of reforming the United Nations and the need to avoid nuclear proliferation, but the main agenda is likely to be economic.

It will focus on investment flows and on laying the groundwork for the World Trade Organisation ministerial meeting in Singapore in December.

At one level the trade and security issues are intertwined. Asian countries have a huge need for capital. More investment in Asia would give Europe an economic stake in the region and therefore enhance its interest in Asian security.

Strikingly little European investment has flowed to Asia despite its booming economy.

While Asia is the EU's largest export market, its share of that market is shrinking and total investment flows in 1994 were just Ecu2.8bn (£2.20bn), of which a large chunk was for oil and mineral extraction rather than manufacturing.

Prof Suthiphand Chirathivat, an economist and acting director of Chulalongkorn University's European studies programme in Bangkok, says there is a dynamic relationship between trade and investment: "The Japanese find it much easier to sell to the rest of Asia because they also produce and invest here. European products and companies are competitive, but they need to be here and integrate themselves. That gets noticed."

Sir Leon Brittan, EU trade commissioner, says: "What I'm hoping is that two subjects, the promotion of investment and working together for Singapore, could be identified as areas for follow-up and that the machinery for that follow-up should be put in hand."

The Bangkok meeting will give Sir Leon an opportunity to promote his proposal for an international agreement on investment in the WTO, which includes developing countries, not just in the Organisation for Economic Co-operation and Development, where it is being discussed by industrial countries.

One concrete result of Bangkok is likely to be a meeting of senior trade officials, to be hosted by the European community in Brussels in the summer, to forge a common agenda for the Singapore meeting at a time when the US is likely to be wholly preoccupied with its presidential elections.

Another, strongly urged by Japan, is that there be parallel talks on trade and investment in the private sector along the lines already established in Apec. Mr Banharn Silpa-archa, Thailand's prime minister, who will host the meeting, says there is no intention to set a formal target for trade liberalisation as Apec has.

That might seem a modest outcome. More important in the minds of many is the less tangible notion that the door should have opened to closer economic and political contacts.

Europe will also have been forced to consider exactly what sort of relationship it wants with a region that is rapidly becoming pivotal.

Yet there are hurdles in the way of even that basic goal.

One is a European lack of understanding of Asia's laid-back style. This focuses on informal contacts between leaders with no negotiation, no head-on confrontation over difficult issues and the sketchiest of pre-set agendas. While the process is as important as substance to Asians, Europeans like hard-nosed talking with more tangible results.

A more serious threat is arguments over human rights. Some European countries such as Sweden are keen to raise issues such as the treatment of children in Chinese orphanages. Portugal has a specific concern over Indonesia's annexation of its former colony, East Timor. At one stage a confrontation over this threatened to disrupt proceedings but officials in both regions now say they think the issues can be finessed.

But there could still be differences over a European Commission proposal to link labour rights to trade. Sir Leon says Europe only wants to engage in discussion on this matter, not impose new policies on developing countries. Besides, Europeans, who are expected to offer a follow-up summit hosted by the UK in 1998, are aware of the need to avoid unseemly argument. "We are going there to bridge a gap, not to start a fight," says one French official.

Peter Montagnon and Ted Bardacke

What the two sides are seeking

Europe[1] wants	Asia[2] wants
• To make Asian markets more attractive for European investors	• Better access to European markets
• To bolster the September WTO ministerial meeting	• More European investment in Asia
• To promote telecommunications liberalisation	• Clear European support for Chinese membership of WTO
• To promote UN reform	• To establish a dialogue with Europe at political and economic levels.

[1] All 15 members of the European Union will be represented.
[2] The seven countries of the Association of South-East Asian Nations – Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam – will attend alongside China, Japan and South Korea.

Major visit raises HK visa hopes

By Peter Montagnon in London

The UK may announce an agreement to grant visa-free entry to Hong Kong citizens after the territory's handover to China in 1997 when Mr John Major, prime minister, visits the colony next weekend, according to Mr Martin Lee, leader of Hong Kong's Democratic party.

"The fact that he's decided to go to Hong Kong could mean that he's got good news to announce," he said in London after meetings with British government officials. UK officials declined to comment.

Mr Major will travel to Hong Kong after this week's Europe/Asia summit in Bangkok where he will meet Mr Li Peng, the Chinese premier, on Thursday.

Members of Hong Kong's Legislative Council, including Mr Lee, have been pressing for visa-free entry for Hong Kong citizens after 1997. This has so far been resisted by Mr Michael Howard, UK home secretary, who is worried that it could create a backdoor entry to Britain for mainland Chinese.

Britain will continue to have a responsibility for Hong Kong after 1997 because its joint liaison group with China will continue to meet on handover issues until 2000, Mr Lee said. It would therefore have closer connections than any other country and should take the lead in granting visa-free entry to holders of the special passports that China will issue in the territory.

See Observer

US and Japan seek to ease island tension

By Christopher Parkes in Los Angeles

President Bill Clinton and Mr Ryutaro Hashimoto, Japan's new prime minister, parted on first-name terms at the weekend, after a fleeting first meeting to set priorities.

Acknowledging, but side-stepping, urgent trade issues, the two leaders spent much of their hour of talks at Santa Monica reviewing the damage done to security relations by the alleged rape last year, on the Japanese island of Okinawa, of a schoolgirl by US servicemen.

They agreed a joint committee should consider the redeployment of the 47,000 US military personnel stationed in Japan, possibly to reduce the heavy concentration of forces, and ease the continuing tension on Okinawa.

Mr Hashimoto appeared to send a signal for easier relations on economic issues, with a promise of deregulation in the housing industry which should improve US exporters' opportunities.

Little attention was paid to more pressing matters, although the Japanese leader gave renewed hints that he was relaxing his hitherto forceful resistance to renewing a 1986 agreement, due to expire on July 31, that Japanese electronics companies buy at least 20 per cent of their semiconductors from foreign makers.

Instead, the leaders contented themselves with sizing one another up before formal talks during the US president's planned state visit to Japan on April 16, and providing evidence for their respective electorates that they would be able to advance co-operation between the two countries.

Supported by Mr Clinton, who said bilateral talks were often quicker and more effective than more complex dealings, Mr Hashimoto said he wanted to resolve economic differences without exacerbating the debate. "It is very important to be low-key on these kinds of issues," he said.

For Mr Clinton, meeting his fifth Japanese prime minister since he took office in 1993, the focus on Okinawa seemed likely to bolster his support, in the US presidential election this year, within California's extensive Japanese community.

Strong suggestions from Mr Hashimoto that Japan might at last be ready to align its laws on copyright of sound recordings with those of other industrial nations went down well in the local entertainment business.

Earlier, also while in California, Mr Clinton had raised his stock locally when he told cheering McDonnell Douglas aircraft workers he had asked Congress for funds to allow higher production targets for C-17 transport aircraft.

He also took the opportunity to take a shot at Mr Pat Buchanan, the rising Republican presidential hopeful, whose campaign has been lifted partly by his stance against trade liberalisation and who, on Thursday, had declared himself ready "unilaterally" to end Japan's trade surplus with the US.

Mr Clinton, whose aides stressed the rapid decline in Japan's trade surplus since last year's agreement on car imports, endorsed the middle path between being "uncritically in favour of free trade" and "pulling up the rug and closing our borders."

Alarm over protection with new bite in '97

Nancy Dunne finds liberal trade backers in the US worried about a Buchanan-minded Congress

The victory of Mr Pat Buchanan in the US Republican party's New Hampshire presidential primary has sounded an alarm for the Washington "trade mafia", the loose-knit group of economists, policy analysts and corporate lobbyists that has long backed liberalised trade policies.

Mr Buchanan has been running exuberantly on a protectionist platform, promising to withdraw the US from the World Trade Organisation and the North American Free Trade Agreement (Nafta), and to impose huge tariffs on goods entering the US from China and Japan.

The agenda of the free trade lobby has already been frustrated by the Republican-controlled Congress, which has been unable to agree on a bill to give the president negotiating authority for the expansion of Nafta.

This lobby's main concern is about the congressional elections in November, on the same day as the presidential poll. The contest for the White House still seems likely to be between President Bill Clinton and Senator Robert Dole, the Senate majority leader, so Mr Buchanan's current success causes less unease.

Eighty members of the House of Representatives have already signed up to back what would become the Nafta Accountability Act, which would virtually guarantee US withdrawal from Nafta or its renegotiation. This bill is given little chance of passage this year, but a new, aggressively protectionist Congress could approve similar legislation in 1987.

Mover and shaker: Pat Buchanan campaigns in Arizona at the weekend Picture: AP

"There is increasing concern that Buchanan's message will spread around the body politic," said Mr Harry Freeman, a business lobbyist. "When it comes to the Congressional races, a good portion of Republicans and Democrats could run on the same anti-trade message."

The worry is compounded by the large number of senators and congressmen, both Republicans and Democrats, who have long supported liberalised trade but are retiring. Their successors may well agree with Ms Lori Wallach of the public interest group Public Citizen, who pointed to the two-decade decline in real incomes in the US and the growing gap between rich and poor. She called for "a new game plan."

The constitution gives Congress jurisdiction over trade matters, but authority has been flowing towards the president since 1945. A determined Congress could regain its sway.

There is anxiety among Republicans that a Buchanan presidential candidacy would split the Republican party. But the administration's trade policies have already divided Democrats. This dates back to the negotiation of Nafta side pacts on labour and the environment, after Mr Clinton, then a presidential candidate, had promised to "fix" the Nafta negotiated by President George Bush.

Mexico resisted, and Mr Mickey Kantor, US trade representative, was overruled by the White House when he wanted to take a strong stand. The resulting deals were toothless, and erstwhile Clinton supporters were outraged enough to form a coalition to educate voters across the country about the evils of trade deals negotiated by and for big business.

"Kantor was a successful, loyal, political soldier," says Mr Mark Ritchie, president of the Institute for Agriculture and Trade Policy. "He could have protected the president's left flank, but he protected his Wall Street flank instead."

Opponents of Nafta have not been gloating about the success of Mr Buchanan's trade message. Mr Brent Blackwelder, president of the Citizens' Trade Campaign, issued a statement noting that the New Hampshire vote reflected "widespread disenchantment with the promises made by free trade politicians." However, he rejected the Buchanan agenda.

"Mr Buchanan would have us build a fence on our southern border to isolate the US from its Mexican neighbours – a short-sighted and mean-spirited solution," he said.

Foes of Nafta and the WTO are often simplistically dismissed as protectionists, but most of them argue that they would support trade deals written to protect workers and the environment.

They draw a distinction between the globalisation, under way among multinational companies, and globalism as a co-operative effort supported by environmentalists, labour and human rights activists.

Many opponents of Nafta and the WTO believe the business lobby grew arrogant, accustomed to having its way under Republican presidents, and saw no need to compromise with the current Democratic administration. "It was a serious mistake to let business write trade policy," said Mr Alan Tonelson, a policy analyst with US Business and Industrial Council. "Bill Clinton said he would put people first, but unfortunately he put Wall Street first. It was a complete betrayal of Democratic party principles."

Ms Susan Aaronson – author of Are There Trade-offs When Americans Trade? – said the business lobby had erred by engaging in raising high expectations for the trade initiatives. "There will have to be adjustment. But Buchanan's logic is flawed. You can't say trade is a global problem and then posit domestic solutions. You have to find global solutions."

Party disputes threaten Mexico electoral reform

By Daniel Dombey in Mexico City

A series of political rows has erupted in Mexico, threatening to derail a long-awaited programme of electoral reform.

Negotiations to deliver proposals in time for the next session of Congress in March have been damaged by the main opposition party boycotting them, while a row about investigations of a political assassination may poison the atmosphere still further.

The reform is close to the heart of President Ernesto Zedillo, who has argued that his own election was legitimate but not altogether fair.

Previous electoral reforms have left his ruling Institutional Revolutionary Party (PRI) still with far more money and access to news media than its rivals.

But the right-leaning opposition National Action Party (PAN) is boycotting the talks over a disputed result in a local election. A victory initially awarded to its candidate was overturned because of what the PAN calls no more than the usual minor discrepancies, such as consistency of officials' signatures.

Suspicions run high because the governor of Puebla state, where the election was held, Mr Manuel Bartlett, was the interior minister in charge of the elections in 1988 that brought Mr Carlos Salinas to the presidency amid accusations of fraud.

Relations between the parties took a further dive at the end of last week, when PRI officials attacked the country's attorney-general – Mr Antonio Lozano Gracia, whom Mr Zedillo chose from the PAN, in an early gesture of conciliation – for his management of an investigation of the assassination two years ago of Luis Donaldo Colosio, then the PRI's presidential candidate.

A confessed killer was convicted, but the investigation has maintained the hypothesis that the assassination was the result of a conspiracy.

Cloud over Menem visit to France

By David Pilling in Buenos Aires

New testimony about the murder of two French nuns during Argentina's "dirty war" of the 1970s threatens to overshadow the arrival of President Carlos Menem in Paris today, at the start of a three-day official visit.

Mr Menem hopes to strengthen commercial ties with France, one of the biggest investors in Argentina's radical privatisation programme. He will treat as an unwelcome distraction claims by a former military official that the two nuns were drugged and thrown alive into the sea.

France has long demanded the extradition of a naval captain, Alfredo Astiz, who in 1990 was condemned in absentia by a French court to life imprisonment for his involvement in the nuns' death. A lawyer for the victims' families said at the weekend he would ask Argentine courts to reopen the case.

The nuns, Alice Domon and Léonie Duquet, disappeared in December 1977, when Argentina's military government was torturing and killing thousands of civilians. Mr Adolfo Scilingo, a former naval captain who last year revealed that death flights had been routine, said on Friday the nuns had been among those hurled out of aircraft.

Mr Carlos Corach, Argentine interior minister, said: "Nothing [Scilingo] says can in the least damage" the president's visit, in the company of 40 Argentine business executives.

French-Argentine relations have been generally good since Mr Menem assumed the presidency in 1989. French companies have invested nearly $3bn in Argentina during the 1990s, taking big stakes in telecommunications, water utilities and food processing.

Among the commercial issues to be discussed will be a threat by Tucumán province in Argentina to cancel a water utility concession awarded to Compagnie Générale des Eaux.

Mr Domingo Cavallo, Argentine economy minister, will seek to reassure French business that Argentina remains a predictable environment for investment. Argentina hopes that French companies will participate in the planned privatisations this year of airports, nuclear power plants and hydro-electric dams.

Wisconsin may build separate freight railway

By Charles Batchelor, Transport Correspondent

Wisconsin Central Transportation, the new US owner of British Rail's heavy haul freight operations, may build its own freight railway lines in Britain if Railtrack, the company responsible for the track network, is not willing to devote resources to freight operations.

"We would talk to Railtrack about building our own sections of freight-only track," Mr Ed Burkhardt, Wisconsin president and chief executive, said at the formal handover of BR's Trainload Freight business, which Wisconsin bought for £225m ($346.5m).

Mr Burkhardt said he was "not sure" there was sufficient incentive in the privatised railway structure for Railtrack to invest in freight services, which account for 10 per cent of the revenues generated by passenger traffic.

Wisconsin and BR said they did not expect the discovery of alleged "procedural irregularities" at Trainload Freight, which led to the suspension of two senior managers on the eve of the sale, to affect the transfer. BR is carrying out an inquiry into the way spending of up to £500,000 had been classified in the accounts. Wisconsin plans to invest heavily in new locomotives – it will need up to 200 at a cost of £200m to £250m over the next five years – and is considering cutting the workforce.

Mr Burkhardt hinted at the prospect of tough negotiations between Wisconsin and Railtrack over the level of access fees charged by Railtrack for allowing freight trains on the network. The split of track ownership from train operations was unlikely to be satisfactory in the long term, according to Wisconsin.

"We would expect Railtrack to act commercially, but the split of track ownership from operations means there could be problems when you want to build a siding," said Mr Burkhardt. "We think we will get there, but there could be a few rocks on the way."

Wisconsin expects to pay 30 per cent of its UK revenues to Railtrack in the form of access charges, a higher percentage than it devotes to maintaining its 4,500km rail network in the US, he added.

The US company has no plans to acquire a shareholding in Railtrack, which is due to be floated on the London stock market in May, but it intends to use the run-up to flotation to negotiate lower access charges for freight trains.

Many managers to lose their jobs

By Our Transport Correspondent

Big cuts in staff numbers and a thorough shake up of working practices at British Rail's heavy haul freight operations are promised by the new US owner of the business.

Wisconsin Central Transportation employs 1,800 people in the US, including 500 managing the rail infrastructure which in the UK is the responsibility of Railtrack. Trainload Freight, which runs an operation similar in size in the UK, employs 7,500 people.

Mr Ed Burkhardt, the president and chief executive of Wisconsin, said that big reductions in managers, clerical and manual staff were likely.

Companies shipping goods by rail and those looking to develop rail shipments as an alternative to road are hoping that the Wisconsin team will bring a new focus to an operation which has long been the Cinderella of the rail network.

Wisconsin was set up by Mr Burkhardt in 1987 after deregulation of the US rail network allowed the disposal of rail assets – without the crippling job protection regulations which had held back profits and productivity.

Mr Burkhardt, 57, has spent his working life on the railway. He studied industrial management and transport at Yale before joining the Wabash Railroad in Indiana. He then moved to Chicago & North Western where he spent 20 years.

Based in Rosemont, Illinois, Wisconsin runs 4,500km of freight network in the US and has bought rail operations in Canada and New Zealand. It made a profit of $37m on turnover of $211m in 1994.

Wisconsin persuaded the British government to reverse a decision to split BR's heavy freight operations into three separate companies and has acquired all of them, with a combined turnover of £559m.

It believes it can reverse the decline of rail transport – now down to just 6 per cent of the freight market in the UK – by improving the quality of service. "We have demonstrated in our railway operations in the US, New Zealand and Canada that we can move rail traffic upward after a period of long-term decline," said Mr Burkhardt. Wisconsin has tripled its freight volumes in the US in the nine years since it was set up and has raised volumes by 10 to 12 per cent a year since it acquired New Zealand Rail in 1993.

Wisconsin has denied that its accident rate is too high. In reply to reports that 20 people had been killed in the past two years in incidents involving Wisconsin trains, the company said the safety figures were "skewed" because much of its work involved shunting in congested yards and because they included "minor" accidents.

The British Department of Transport dismissed suggestions that the company's accident rate was three times higher than the average for comparable US railway companies.

Trevor Humphries

Taking control: Ed Burkhardt (left) with John Welsby, the BR chairman, on a Loadhaul locomotive

UK NEWS DIGEST

Sinn Féin seeks to 'rebuild peace'

British government officials will today meet Sinn Féin representatives for the first time since the Irish Republican Army abandoned its ceasefire amid signs of progress in the Northern Ireland peace process. As tens of thousands of people marched for peace in towns across Ireland, Mr Martin McGuinness, who will head the Sinn Féin delegation, said the purpose of the discussions was to "examine how the peace process can be rebuilt".

The British prime minister's commitment to keep the peace process above the daily battle between the main political parties also received a boost yesterday when Mr Jack Straw, the opposition Labour party's shadow home secretary, who said he was recommending that Labour should not vote against the Prevention of Terrorism Act for the first time in more than a decade.

There was also an indication of a rapprochement between Mr John Hume, leader of the constitutional nationalist Social Democratic and Labour party, and Mr David Trimble, leader of the Ulster Unionist party, the largest pro-British party in Northern Ireland. Mr Hume, speaking on BBC Television, gave muted support for Northern Ireland elections as a precursor to all-party talks.

Robert Peston at Westminster and John Murray-Brown in Dublin

Ernst & Young defends criticism

The senior partner of one of the Big Six accountancy firms yesterday defended its outspoken attack on the Accounting Standards Board, UK's leading standard-setter, and accused the rest of the profession of not wanting "to rock the boat" on important issues. Ernst & Young, in a paper circulated to chairmen and finance directors at hundreds of leading companies, had said accounting as a financial language was in danger of being taken over by academic theorists who used the UK economy as a "test-bed".

Mr Nick Land, senior partner at Ernst & Young, said the firm's criticism of the ASB under Sid David Tweedie was "heartfelt" and rejected suggestions that it was a marketing ploy. Sir David, speaking in one of the profession's leading magazines, dismissed Ernst & Young's critique as having "all the vision of a mole and the eloquence of a whoopee cushion".

Other members of the Big Six have joined the debate. Mr Ian Brindle, senior partner of Price Waterhouse and a member of the ASB, said: "This is a cheap publicity gimmick. What the hell are Ernst & Young up to? They should be ashamed of themselves."

Jim Kelly, Accountancy Correspondent

Fraudster aims to repay

Mr Peter Clowes, the convicted fraudster released on Thursday after serving four years of a 10-year prison sentence, said he would work to repay investors who lost £16m ($24.6m) in the Barlow Clowes investment group.

Mr Clowes said his "number one aim" was to pay back money still owing to former investors. "Investors have not had their full money back, but I am going to see that they are going to get what they're owed, with interest," he said. It would be "inappropriate" to explain how this would be done, he added. Mr Clowes, who headed the Barlow Clowes empire before its collapse in 1988, said he would seek to clear his name in the courts and threatened to sue the Serious Fraud Office.

The UK Treasury is trying to recover some of the lost money by serving a writ on Mrs Pamela Clowes, Mr Clowes' wife. The Treasury said: "The writ is in line with the government's overall policy to recover as much as possible from the Barlow Clowes affair."

Richard Donkin and Graham Bowley

Feelgood factor 'remains elusive'

The feelgood factor will remain elusive this year even if the chancellor cuts interest rates again, Coopers & Lybrand, the accountancy and consultancy firm, warns today. The firm casts doubt on the government's forecast that the economy will grow rapidly in 1996 underpinned by strong consumption. Its latest UK Economic Outlook warns that businesses cannot rely on a recovery in consumer confidence back to pre-recession levels of the late 1980s.

Ms Rosemary Radcliffe, head of economics at Coopers & Lybrand, said there would be no recovery in house prices while structural shifts in the jobs market towards more short-term, part-time working meant consumers would remain cautious. She said GDP would grow by 2 per cent this year in contrast to Treasury expectations of 3 per cent growth.

"If the French and German slowdowns turn into recession, which cannot be ruled out, even our central scenario of a modest 2 per cent UK growth rate may prove optimistic," she said.

Graham Bowley, Economics Staff

Scottish investors fear tax rise

Scottish financial institutions are pressing the opposition Labour party to address fears that potentially higher taxes on investments after devolution could scare off investors. The realisation that the party's plans for a devolved Scottish parliament with tax-raising powers could result in dividends being more heavily taxed in Scotland than England has alarmed the Scottish financial community.

Under Labour's plans for Scotland, tax on income could be levied up to 3 per cent higher in Scotland than in England. Because dividends are taxed at source this may mean that investors, either in Scotland or elsewhere, could face a heavier tax burden on Scottish investments. Mr George Robertson, Labour's spokesman on Scotland, acknowledged the potential problem, but said the party was in close talks with Scotland's financial community.

James Harding, Westminster

London Stock Exchange 'Seaq is like an old comfortable jacket, but one day it's going to wear out'

Investors and brokers say reforms are unnecessary

By George Graham and Norma Cohen

The London Stock Exchange is coming under increasing pressure from investors and brokers to pull back from plans to introduce order-driven electronic trading alongside the current marketmaking system.

A broad range of insurance companies and pension fund managers, as well as some marketmaking investment banks and private client stockbrokers, have all told the exchange that they see no need to change the system. "First indications are that the majority of our membership firmly hold the view that neither they nor their clients believe that the quote-driven system of trading in London needs a fundamental reform," said the Association of Private Client Investment Managers and Stockbrokers.

"I don't think they have demonstrated that the change they have outlined would actually improve things," said one institutional fund manager.

The stock exchange tried to win over the investment community at a meeting hosted by National Westminster bank earlier this month, but failed to sway many fund managers. Some UK and international investment banks, which have spent heavily to buy marketmakers, have been reluctant to oppose order-driven trading openly but are clearly relieved to have investor opinion on their side. But other stockbrokers are less happy about the groundswell of opinion running against swift introduction of order-driven trading.

"There are some backwoodsmen in the industry," said one. In the current system, marketmakers list the prices at which they are willing to buy or sell shares on the stock exchange's Seaq screen, but deals are actually struck over the telephone.

With the introduction of the exchange's new Sequence 6 technology this year, it will become possible not only to quote prices but also to carry out trades electronically. That opens the way for one investor's buy order to be matched automatically with another investor's sell order, sidestepping the marketmakers entirely. In a consultation document issued to member firms and investors in January, the stock exchange invited comments on how order matching should be introduced.

Should it be used for the most, or least, liquid stocks? Should the order and quote systems be linked? Should investors who negotiate a large block trade be required to meet smaller orders at the same price?

Many replies took issue with the assumption that order matching should be introduced. But one senior marketmaker warned: "Seaq is like an old comfortable jacket. But one day, it's going to wear out."

Former chief breaks silence over dismissal

By James Blitz at Westminster

For several weeks Mr Michael Lawrence, former chief executive of the London Stock Exchange, has stayed silent about the events which led to his departure from office in January. But in written evidence to the House of Commons Treasury committee he goes into detail. He strongly implies that he was sacked because of the determination of leading marketmakers to reassert their influence.

In the immediate aftermath of Mr Lawrence's dismissal Mr John Kemp-Welch, the exchange chairman, said that the chief executive had been removed from the post after losing the confidence of members. But Mr Lawrence says that there are "obvious inconsistencies" in the position taken by Mr Kemp-Welch. In a clear reference to marketmakers, he claims to have been seen "as an impediment to a return to the previous mechanisms of detailed control of the exchange by some of its members".

Mr Lawrence's account starts last autumn, when he says that the reforms he was implementing were fully backed by Mr Kemp-Welch and the exchange's leading figures. At the heart of the reforms was the development of a hybrid trading system, combining marketmaking with an "order-driven" alternative which would allow brokers to place on screen offers to buy and sell only those blocks of shares they want to trade at that moment.

The reforms were opposed by marketmaking institutions, who feared that the new systems would undermine their position. But as late as November, Mr Lawrence says, the chairman "assured me of his support for the trading reforms". The board, in spite of lobbying by institutions, "fully supported the proposals".

He adds: "I received no warning at any time that I did not enjoy their support, although we were all aware of the opposition of certain marketmakers." At this stage marketmaking institutions with most to lose from the new arrangements started to voice their concerns more forcefully.

Big marketmakers were considering leaving the London Stock Exchange and setting up their own trading organisation before the firing of Mr Michael Lawrence as the exchange's chief executive in January, said a senior marketmaker. Sir Nicholas Redmayne, the chief executive of Kleinwort Benson, told the House of Commons Treasury committee that some marketmakers had considered breaking away and trading either through Reuters or through their own dealing organisation. "There was a danger, but only a danger, that the whole thing could break apart," he said.

First the exchange's board met and marketmakers were offered "significant representation" on a subcommittee which had been convened to steer through the trading changes.

Immediately after Christmas Mr Kemp-Welch told Mr Lawrence that he had decided to hold a meeting "to let the board know of the concerns of member firms" about the issue.

Mr Lawrence does not make any reference to the particular series of events which may then have triggered his departure. But a senior source connected with the affair has pointed out that there was a strong correlation between those board members who exercise an influence over appointments and the marketmakers who might most suffer from the reforms.

According to Mr Lawrence the climax to events came at the start of January, shortly before another meeting of the board. He says that just before the meeting Mr Kemp-Welch and other exchange officials "advised me that I had lost the board's confidence" and that the purpose of the meeting "was to secure my removal from office".

Mr Lawrence adds: "He [Mr Kemp-Welch] stated that he had talked to each board member the previous day, excluding the executive directors who had not been consulted, and they would support his demand for my resignation or dismissal."

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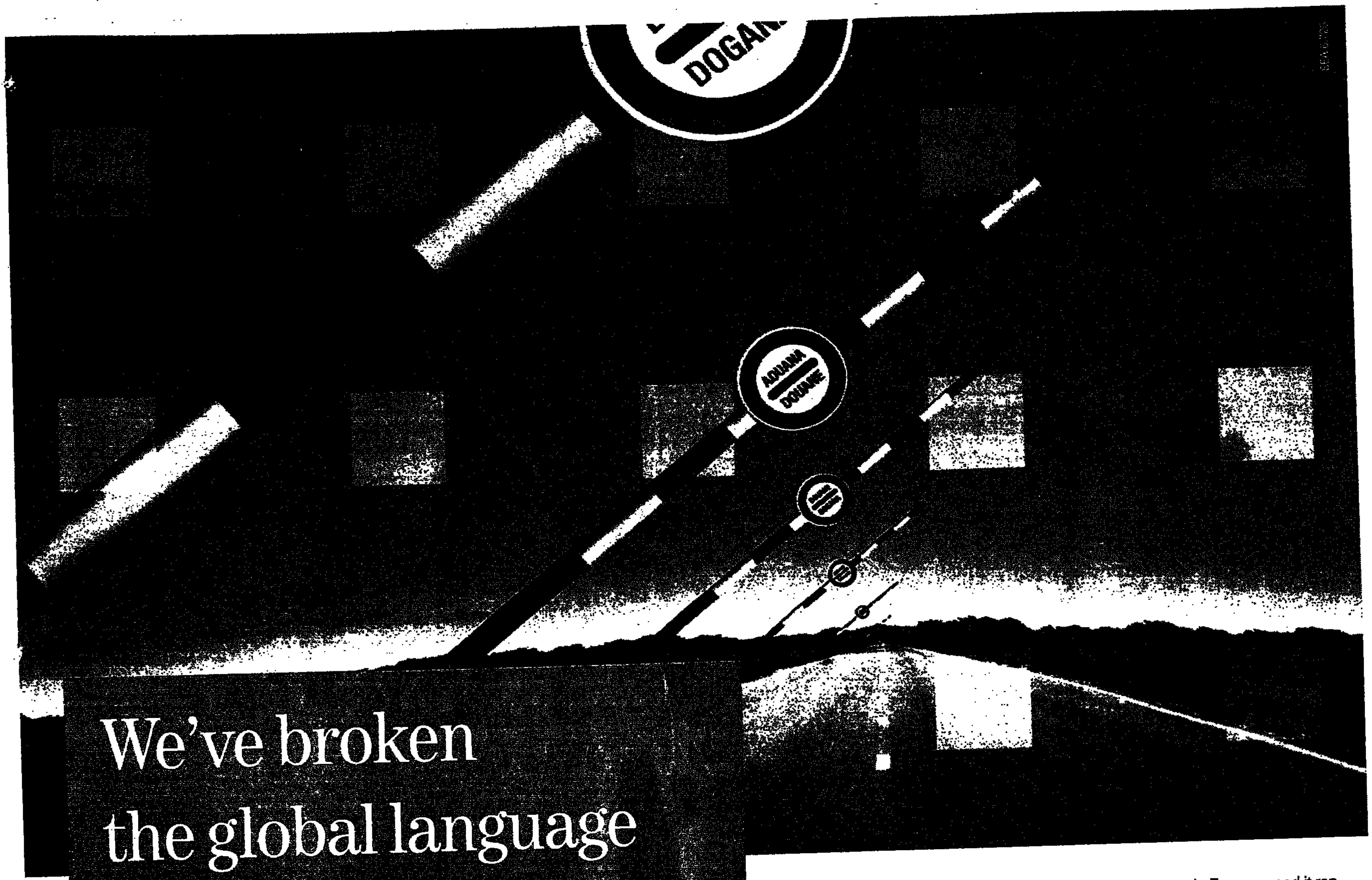
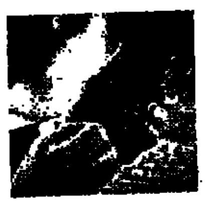


We've broken the global language barrier.



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THIS WEEK

Taciturn diplomat in Russian thriller

DATELINE

Brussels: an anti-fraud investigation has highlighted an obscure, expensive EU aid programme called Tacis, writes **Lionel Barber**

The improbable story so far. Michael Emerson, formerly the European Commission's top Moscow diplomat, is the target of an anti-fraud inquiry in Brussels.

His accuser is a retired Nato airman-turned-author who says that he is worried about KGB reprisals. The lady in the middle is a tall Russian called Elena. She is married to the American but appears to have divided allegiances. Elena is also on the European Commission payroll.

Let us be clear. Emerson, 55, is a career diplomat of 23 years' standing with a glittering reputation as an economist.

He helped launch the European monetary system in early 1977, working for Roy Jenkins, then the Commission's president.

Colleagues describe Emerson, Oxford- and Harvard-educated, as an unworldly, monk-like figure. Any interest in money is cerebral only. That he is involved in impropriety defies belief.

The allegation is that he abused his position as ambassador to set up a private business with a St Petersburg businessman by the name of Ilye Baskin.

Emerson rejects any suggestion of misconduct. He told Commission investigators his contacts with Baskin involved only the possibility of setting up a future consultancy. At no point was he touting for business.

We will know shortly whether the Emerson affair is Greek tragedy or a cheap thriller ending in a verdict of innocence.

Just now, the only positive result of much negative press coverage is that it has highlighted an obscure, hugely expensive EU aid programme known as Tacis.

Tacis is the ugly acronym for the EU's programme of technical assistance to the former Soviet Union, intended to promote its transition to a market economy.

Between 1991 and 1995, the EU committed Ecus 2.2bn (£1.8bn) to Tacis. During the next four years, it will provide a further Ecus 2.2bn. That makes Tacis one of the biggest multilateral aid programmes of its kind. It is a case study for the EU's faltering progress toward a common foreign policy.

When EU leaders agreed to launch Tacis in December 1990, the idea was to encourage the reform movement led by Mikhail Gorbachev. Within six weeks, the programme was put on ice after Moscow's bloody crackdown in Lithuania.

By the time Tacis funds started flowing again, Gorbachev was on his way out and the Soviet Union was about to break up. A programme designed for a centrally-run Soviet Union suddenly found itself without a client.

Tacis was a good idea, but five years too late. The programme suffered, too, because the member states failed to match big ideas with adequate resources.

The Delors Commission was also at fault. It was so anxious to seize a role in foreign policy that it took charge of a multi-billion dollar aid programme with a handful of staff, most of whom were close to a nervous breakdown after the first six months.

Tacis's crash-start in 1991-93 ensured that millions of dollars were wasted. Money flowed to feasibility studies for projects which never actually materialised. Russian administrators took part in the programme one day and disappeared the next. Often they saw more profit in becoming capitalists themselves.

Yet Tacis also provided vital support for the nuts and bolts of a market economy, using carefully selected western consultants.

Useful causes include privatisation, banking liberalisation, environmental aid, reform of the civil service and the retraining of nuclear rocket scientists.

Critics say that Tacis money has been spread too thinly, notably in Russia. But Tacis has had better results in the war-torn Caucasus where local administrations have been more willing to accept foreign direction.

"The EU has single-handedly led the policy of privatisation in Armenia, Azerbaijan and Georgia," says one official.

The most serious charge against Tacis is that it is slow-moving and top-heavy. The Commission has started to be more flexible about how money is spent, releasing money more quickly for smaller projects at the "retail" level in the regions.

Yet the laborious vetting procedures instigated by Brussels for supervising larger projects are intended to prevent fraud, and to ensure that funds are directed to the consultants providing the know-how.

No Tacis money passes directly to Russians, Armenians, Ukrainians or any other locals – unless, of course, they happen to run a consultancy.

Which brings us back to Michael Emerson. After more than five years in Moscow, he might have expected a big promotion. But his path was blocked because all top jobs in the Commission are doled out according to national quotas or "flags".

He also lodged a request for early retirement, taking advantage of the generous Article 50 provision used to ease out non-performers, but was rejected on cost grounds.

In these frustrating circumstances, it is hardly surprising that the buttoned-up bureaucrat decided it was time to take a risk. We will watch his progress in the Wild East with interest.

PEOPLE

Murdoch's news dynasty

The media mogul's children have high aspirations, writes Alice Rawsthorn

If anyone seemed set to prove the Buddenbrooks theory of corporate dynasties, whereby a dynamic entrepreneur creates a successful company only for it to be eroded by the incompetence of future generations, it was Rupert Murdoch.

As a schoolboy he was wont to sneak away from Geelong Grammar, his snooty Australian private school, to bet on local horse races, and as a university student he placed a bust of Lenin on his mantlepiece. There was little evidence that he was an ideal candidate to inherit the Australian newspaper empire founded by his father, the redoubtable Sir Keith Murdoch.

Rupert Murdoch, who inherited that business at 21, has since turned it into News Corporation, one of the world's most powerful media empires with revenue of A$12.2bn (£5.9bn) last year. More, he seems set on defying the Buddenbrooks theory again by encouraging his own children to succeed him. His eldest son, Lachlan, 24, is deputy chief executive of News Corp in Australia, and last week Murdoch appointed his daughter, Elisabeth, 27, to a senior post at BSkyB, his UK satellite TV operation.

Neither of Murdoch's other children works for the family firm. Prudence, 39, the only child of his first marriage, to Patricia Booker, a former air hostess, shows no inclination to do so. James, 22, third child of his second marriage, to Anna Torv, whom he met in the 1960s when she interviewed him – she was a bright young editor on one of his Australian newspapers – may decide to join, but is busy with his own record business in New York.

It takes little imagination to see why Prudence might have chosen to drop out of the running. The prospect of one of Rupert Murdoch's children bidding to become a media mogul seems just as intimidating as it would be for a child of Bill Gates to go into computer programming.

At best, they will be hard pressed to match their father's achievements. At worst, they may end up like John Lennon's son, Julian, whose bid for rock stardom only yielded a couple of hit records, or like Rocco Forte, who had to tell his father that Granada had taken over the family firm.

Neither Elisabeth, Lachlan nor James seems short on ambition. Lachlan has admitted in an interview that because of his relationship with his father he felt an overwhelming need to prove himself. Even James has changed his mind about working for News Corp. "I guess I will always be involved," he has said, "it is the family business."

Elisabeth seems the most openly ambitious. The Murdochs are a family of strong women. Elisabeth was named after her octagenarian grandmother, as formidable a figure as the late Sir Keith. Anna Torv gave up her career to look after the children, then studied for a degree and published a novel rather than risk becoming "a whining wife". Elisabeth once said she did not see how she and her brothers "couldn't be ambitious – being relatively sane normal people", adding that Lachlan's promotion "does make me feel like I have to hurry up".

She and her brothers were brought up in a work-dominated environment. Although Rupert Murdoch clearly was – and remains – besotted by Anna, he spent most of their New York honeymoon locked in meetings.

All three siblings did well academically, and graduated from prestigious US universities: Elisabeth from Vassar, Lachlan from Princeton, James from Harvard.

Elisabeth went straight into television and in 1994 bought two Californian television stations affiliated to her father's Fox network with her husband, Elkin Pianim, whom she met while at Vassar. They bought the stations with a $35m loan from her father and sold them after little more than a year, emerging with a $12m profit and a reputation as ruthless cost cutters.

Lachlan worked at various Murdoch papers after Princeton, including The Times, where a journalist who took him to the pub was telephoned there and warned: "Whatever you do, don't get him pissed." Lachlan saved him the trouble by ordering orange juice. He has since moved back to Australia where he played an important role in last year's negotiations to form News Corp's rugby "super-league" and late last year was appointed to the News Corp executive committee.

James alone has shown signs of their father's youthful rebelliousness, but he too now seems reconciled to a career with News Corp. His sister, Elisabeth, clearly rates him highly and recently suggested that the Murdochs' would-be music mogul may prove to be "brighter than all of us".

Siblings take centre stage: Elisabeth and Lachlan Murdoch

NAMES IN THE NEWS

Dingman launches paper bag raid from Czech base

Bahamas-based investor Michael Dingman's purchase of a controlling stake in Russia's largest paper bag maker last week is just the kind of bold, hands-on foreign investment Russia needs to get its monster, Soviet-era industrial plants back to work, Anthony Robinson writes.

But it is precisely the kind of investment which most potential investors in Russia are currently loath to make. Instead, they sit nervously on the sidelines awaiting the outcome of the presidential elections in June, muttering about it all being "too risky."

Yet 64-year-old Dingman takes the view that investing in eastern Europe is a lot less risky than putting money in US stocks, with the Dow Jones average hovering around the 5,600 mark. His way is to tackle the former Soviet market from a strong base in the Czech Republic, and forge links between cash-strapped, marketing-weak companies in industries such as paper, glass and oil.

He created his Czech base last October when he invested more than $250m (£162m) buying controlling stakes in eight Czech companies. His advisers were two ambitious young men in their thirties: Viktor Kozeny, the 32-year-old "father" of Czech investment funds, another Bahamas resident, and Daniel Arbess, a Prague-based Canadian lawyer who is now a partner in the Stratton Group, Dingman's eastern investment vehicle.

Dingman, former chairman of Allied Signal, the US conglomerate, and still chairman of Fisher Scientific International, made his fortune as "an asset and cash-flow driven investor", specialising in turnarounds. His trademark has been to spot under-valued assets and inject financial, technical and marketing skills.

"His experience in industry has given him an incredible capacity to pick exactly the right guy to do the specific jobs required to turn companies around," Arbess said last week, *en route* from Segezha, north-east of St Petersburg, where he met the 8,000 employees of what is now the Stratton-controlled paper bag plant. Among the entourage was Lou Ross, former chief operating officer of Ford, who is also on the Stratton team.

Dingman believes there is sky-high potential in the former Soviet Union, where enterprises are typically huge, starved of working capital and hopeless at marketing. But his belief in synergy will not only be tested in Russia.

Last month he signed an oil and gas exploration deal with the Emirates state of Ras-al-Khaimah, which is believed to have reserves of about 400m barrels of oil and 1.2bn cu feet of gas. Viktor Kozeny, who suggested that Dingman include oil drilling equipment maker Moravske Neftove Doly among his Czech purchases, is a director of the company set up to look for the hydrocarbons. Moravske will supply much of the equipment.

Fulford eyes RJR Nabisco

RJ Reynolds Tobacco is Imperial Tobacco "in spades," says Ron Fulford, the man who wants to get his hands on the cigarette business of RJR Nabisco, the US company still struggling after its record $26bn leveraged buyout seven years ago, writes Roderick Oram.

Fulford took a step towards his goal last week by resigning as executive chairman of Imperial, one of the UK's largest cigarette makers and a subsidiary of Hanson, the fragmenting conglomerate.

In nine years at Imperial, he turned the troubled company into the lowest cost cigarette maker in Europe with an operating profit margin a handsome 45 per cent of sales. He quit to throw in his lot with Bennett LeBow and Carl Icahn, the US corporate raiders trying to force a break up of RJR Nabisco. If they succeed, Fulford will become RJ Reynolds Tobacco's chief executive.

LeBow and Fulford will tour US institutional shareholders of RJR Nabisco outlining plans for the company. Fulford, one of Hanson's most respected turnaround specialists with British Ever Ready, the battery maker, and London Brick to his credit, believes the Reynolds tobacco business is ripe for treatment.

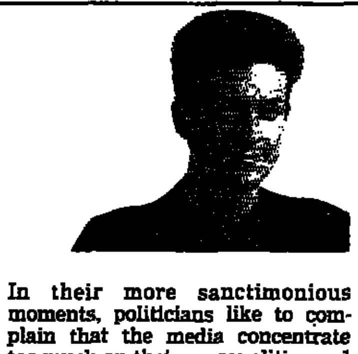
Reynolds plants were among the 45 he and colleagues visited around world when they sought ideas for revitalising Imperial. He revisited several years ago when revamping Imperial's sales and marketing.

He believes Reynolds' problems started when Kohlberg Kravis Roberts, the US leveraged buyout firm, "paid too much" for RJR Nabisco. KKR thought Reynolds could continue to raise its cigarette prices much faster than inflation. But not in the subsequent vicious US price war. One cause of the war was Reynolds' introduction of scores of own-label products.

Proliferation of products, indifferent senior management and a weakening market position were other problems at Imperial. Fulford simplified the product portfolio, delegated responsibility and gave people financial incentives. That allowed senior managers to focus on strategy. Imperial is now poised to take UK market leadership from Gallaher, the American Brands subsidiary.

"Reynolds is a rather larger version of Imperial," Fulford says. He expects to find all the managers he needs within the company. The bigger the company, the deeper the talent pool, he says. Reynolds is about six times the size of Imperial.

But before he can fish that pool he and his new colleagues have to convince RJT Nabisco's shareholders that they deserve the chance. Even in a country hot on shareholder value, it is a long shot.



Robert Chote · Economics Notebook

Personality has a role in policy

Britain's celebrated monthly "Ken and Eddie" show, a semi-public debate between two heavyweights, carries risks alongside its superficial entertainment value

In their more sanctimonious moments, politicians like to complain that the media concentrate too much on their personalities and not enough on their policies. Kenneth Clarke and Eddie George have argued that this is true of their monthly meetings to determine UK interest rates, which commentators persist in treating as tennis matches or sumo wrestling bouts.

But personalities *do* matter. Unique among leading industrial countries, monetary policy formation in Britain is dominated by an ongoing semi-public debate between two heavyweight protagonists. Clarke, the chancellor (or finance minister), may have the last say on interest rates, but George, the central bank governor, has enough clout with the markets to make his opposite number think twice before ignoring his advice.

This is a curious half-way house. In most leading economies formal control over interest rates is vested explicitly in the central bank. In Canada, Italy and Ireland, the central bank governor sets rates personally. In Germany and the US, special policy-making committees do the job collectively. But under neither model does the finance ministry have a formal role.

Norway is one of the few remaining examples of a leading economy in which the finance minister still sets interest rates. But the central bank there gives its advice in private, which gives it little influence in any public debate over policy.

This is why the "Ken and Eddie show" makes better entertainment than monetary policy setting in most other countries. Like sumo, it keeps the audience's interest because each fighter is capable of giving the other a tremendous shove, leaving the result of each monthly encounter in doubt.

The discussions derive further dramatic tension from the fact that the chancellor and the governor are both personally responsible for the positions adopted by the organisations they head. Although both receive advice from a phalanx of advisers, neither can deflect responsibility on to them.

The Ken and Eddie show also has a high public profile – relative to most of its overseas equivalents – because the minutes of their monthly meetings are published with a six-week lag. Journalists and economists can therefore pick over these documents, searching out any differences of nuance.

The personalisation of the monetary policy process in Britain is not, therefore, a malevolent work of the press. It is an inevitable consequence of the way the mechanism has been set up. In the setting of interest rates the Bank is neither independent from, nor wholly subservient to, the chancellor. Hence the potential for tension between the two – and the desire of the press and the City to sniff it out.

But does the personalisation of policy setting in the UK prevent the process working efficiently? Even though Clarke and George have complained about the way their meetings are treated by the media, the evidence suggests not. Whatever one thinks about their politics or prowess as economic technicians, both men seem psychologically well-suited to this sort of policy-making system.

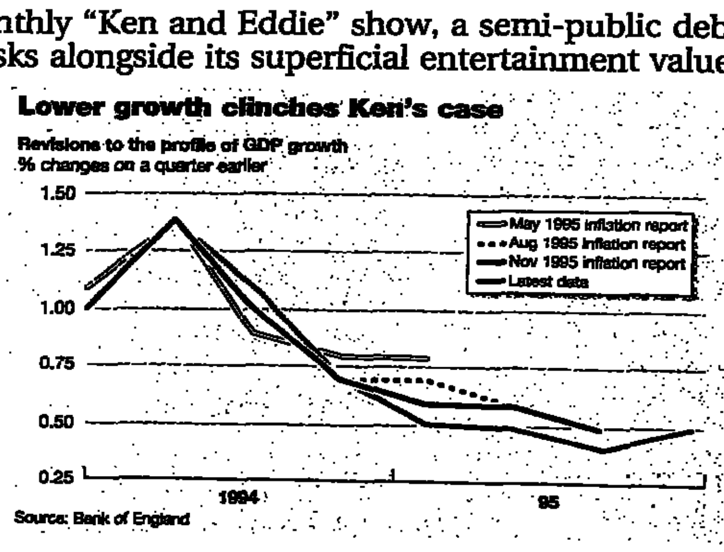
Neither is the sort to bear a grudge. The chancellor and the governor are similar characters in that neither is inclined to go off in a sulk if the other wins the day. They can agree to disagree and return a month later prepared to review the new situation afresh. One can imagine past chancellors and governors – and perhaps future chancellors and governors – who would find it more difficult to let bygones be bygones. If either man let past defeats colour his judgements then the system would probably be a lot less stable.

Another point in Ken's and Eddie's favour is that neither feels much need to be liked, leaving them relatively unconcerned by the instant reaction to their decisions. Both are also decisive, so there is usually no dithering or delay.

These attributes have served the framework well, but one might argue that neither the system nor its protagonists has yet been put properly to the test. Their debates so far have in essence boiled down to assessments of demand: how quickly is the economy growing and how quickly can it be allowed to given the extent of spare capacity? The debates have therefore, as the governor likes to point out, been "narrow" and "technical".

Things might be different in the event of a "supply shock" such as a rise in oil prices, which could leave the economy suffering inflationary pressure and weak economic activity simultaneously. In that event there would be a more fundamental and politically contentious dilemma about which problem policy should primarily aim to solve.

Another test would come if interest rate and budgetary policy became misaligned. Imagine that the chancellor was loosening budgetary policy to protect activity and employment, in the process fuelling inflation. Meanwhile the governor might be demanding increases in interest rates to combat inflation, thereby slowing activity. The policy mix could easily unravel as each tried to outbid the other – a danger which would be all the greater if the Bank were given formal independence.



Whether these problems arise or not, the monetary policy framework is in for a testing time. Over the past year the financial markets have by and large given the chancellor the benefit of the doubt in his discussions with the governor – and the downward revisions to official estimates of growth and the Bank's forecasts of inflation suggest they were right to do so. But, as the election approaches, the markets may switch their allegiance back more to George.

In the longer term, the monetary policy framework will also have to survive a change of cast. Shadow chancellor Gordon Brown is likely to replace Clarke if Labour wins the election, with party leader Tony Blair looking carefully over his shoulder. On the other side of the table, the governor's contract comes up for renewal in 1998. This raises several possibilities: George could serve a second term, he could be replaced by an internal candidate (probably chief economist Mervyn King or deputy governor Howard Davies) or an outside candidate might emerge.

Under some of the permutations which these changes might throw up, the chemistry between chancellor and governor would probably work very well. Under others, however, it might very well not.

Brown has suggested depersonalising monetary policy by creating an eight-person committee to formulate the Bank's advice. But making the members of this committee appear accountable will not be easy, so the two-man sumo bout might drag on for a good while yet. If it does, the character traits of the players are likely to prove just as important as their prowess in economics.

FINANCIAL TIMES
COMPANIES & MARKETS

Monday February 26 1996

Heineken poised for Moretti acquisition

By Roderick Oram,
Consumer Industries Editor

Heineken is poised to become the largest brewer in Italy through its purchase shortly of Moretti from Interbrew, the Belgium brewer of Stella Artois.

The deal, likely to value Moretti at $150m-$175m, will be a further step in the rapid consolidation of European brewers *struggling with stagnant* demand, over-capacity and competition from a plethora of small companies.

For Heineken, the Dutch brewer, the purchase will reinforce its strat*egy of buying stakes in, or control of, national* brewers to complement the international development of its own lager, the most global of beer brands. Earlier this month, *for example, it* bought a 54.4 per cent stake in Fischer Group, France's fourth-largest brewer.

For Interbrew, the sale is its second exit from Italy in a year. Last February, it sold its Interbrew Italia subsidiary to Heineken for an undisclosed sum.

The subsidiary, with capacity of some 700,000 hectolitres a year, brewing Stella Artois and Classica von Wunster, had suffered a halving of its market share to about 5 per cent over the previous few years.

The company was attractive to Heineken, however, for its distribution network in northern Italy and the addition *it would make to Heineken's* existing five Italian breweries, which produce about 3.5m hectolitres of beer a year.

Last summer, Interbrew inadvertently regained an Italian foothold in the form of Moretti when Interbrew bought its parent, John Labatt, the Canadian brewer, for C$2.7bn (US$1.97bn).

It was thought likely that Interbrew would sell the *Italian* company, with Heineken seen as the likely buyer.

Heineken and Interbrew, which is eager to pay down heavy debt incurred in the Labatt deal, said yesterday they could not comment on the subject. Analysts are expecting an *announcement shortly, however.*

Moretti, with capacity of some 1.1m hectolitres a year and sales of L300bn ($190m), has about 12 per cent of the Italian market. Its purchase will give Heineken a total share of more than 40 per cent, about five percentage points ahead of Peroni in which Danone, the French brewer of Kronenbourg, has a minority stake.

"Heineken taking market leadership will put pressure on Danone," one London analyst said. The French group's commitment to Peroni was thought to be wavering.

Despite difficulties in the past few years, the Italian market appears to have good growth potential unlike *stagnant markets in northern Europe.* Wine drinkers by custom, the Italians are switching slowly to beer, which *accounts for only 15 per cent of their* alcohol consumed against more than 50 per cent for the Germans, British and Belgians.

Italian beer consumption is running at about 25 litres a head per year, the lowest in Europe, against Germany, the leading nation, at 138 litres a head. The British rank fifth in the league of European consumption, at 100 litres a head, and the Dutch sixth at 85 litres.

UK claim on French share trade in doubt

By Andrew Jack in Paris

The volume of French shares bought and sold through the UK market is substantially lower than claimed by the London Stock Exchange, according to an analysis carried out by a leading French academic.

Of all the transactions in French shares which are quoted on the London system, just 8 per cent are carried out through London's Seaq International (Seaq I) system, with the rest conducted directly through the Paris bourse, the study shows.

That *contrasts sharply* with figures published by the London stock market authorities, suggesting that Seaq I accounted for more than 52 per cent of such trades.

The London Stock Exchange said that Seaq I's figures were inflated by the fact that each *transaction* was recorded twice – for every buy and every sell operation. It added that it had changed its method for calculating volumes in January, and the first monthly figures produced under the new system would be available after the end of February.

The figures, however, throw doubt on the London statistics for shares from other EU countries and provide a further embarrassing blow to the London Stock Exchange and the City's hopes of remaining a leading financial market.

The London Stock Exchange has been coming under growing criticism in the past few months for the way in which the statistics it produces exaggerate the importance of Seaq I. Its automated quotation system launched in 1985.

Mr Rudolf Mueller, chairman of UBS UK, resigned from his position on the board of the London exchange last August, a year before his term expired. He cited his frustration at its inability to transform itself into a European exchange and accused it of relying too heavily on Seaq I.

The study cost FFr200,000 ($39,525) and was funded by the Société des Bourses Françaises, operator of the French stock market, which commissioned it at the start of last year.

It was carried out by Mr Bertrand Jacquillat, an academic at Paris's Dauphine University, and has been approved by a number of his peers over the past few months in a process designed to ensure its rigour and objectivity.

The study calls the discrepancy between the *published* figures and its own far lower estimates "astounding", while adding that its *estimate* for trades of French shares through Seaq I of 8 per cent "is of little *surprise*" to traders in the market.

De Beers went to the brink of a price war to get agreement on Russian exports

Diamond deal heralds a retreat from the abyss

The immediate threat to the most durable cartel in recent history has passed. This time last week, De Beers, the South African group which for 60 years has organised the cartel of rough, or uncut, diamond producers, was ready to see it ripped apart by the departure of Russia, one its most important members.

De Beers was willing to take the chance that a price war might break out, rather than have its London based Central Selling Organisation (CSO) sign another worthless contract with Russia.

But, to the relief of the diamond industry, Mr Nicky Oppenheimer, deputy chair*man of De Beers, on Friday* signed a "memorandum of general principles", which will govern *the future relationship* between the Russian diamond industry and De Beers. As soon as possible, these principles will be expanded into a formal three-year trade contract with *Almazy Rossii-Sakha,* Russian biggest diamond producer, and leave De Beers as "the sole and exclusive buyer of all rough diamond exports".

"The contract with the Russians has given De Beers a great deal of aggravation for at least two years," said one industry observer. "But the Russians have gone to the edge of the abyss, looked over the edge and did not like what they saw. The prospect of immediately losing the $100m of income a month from the CSO concentrated Russian minds."

As a bonus for De Beers, even as the final, tense negotiations were going on, Mr Yevgeny Bychkov, the most powerful man in the Russian diamond industry and for years a thorn in the CSO's flesh, was sacked from the chairmanship of Komdragmet, or the Committee for Precious Metals and Stones, by President Boris Yeltsin himself.

Mr Bychkov previously had been charged with illegal foreign currency deals and was linked with the activities of Golden ADA, a company set up in San Francisco in October 1992 by a Russian and two Armenian brothers. It imported large quantities of rough diamonds from Russia with the apparent blessing of Moscow. But Komdragmet has filed a suit in a San Francisco district court alleging Golden ADA did not pay for $150m of *gems and precious metals.* The US Internal Revenue Service has also raided the company and *is claiming $63m in* back taxes and penalties.

The Golden ADA fiasco must *have helped De Beers,* because it undermined those in Russia, particularly nationalist politi*cians, who argued that the* links with the cartel should be cut and Russia should take responsibility *for its own diamond* sales in the west.

Russian producers relied on *the diamond cartel from the* time it was set up during the Great Depression. Even when South Africa and the Soviet Union were at opposite ends of the political spectrum, Russian diamonds made their way to the CSO via a complex web of intermediaries.

The CSO acts as a kind of buffer stock manager for producers in Angola, Australia, Botswana, *Namibia, Tanzania* and Zaire, as well as Russia and South Africa, and so controls well over half of world trade in rough diamonds. It stockpiles rough diamonds in hard times and releases them when demand is healthy. De Beers is at present holding more than $4.35bn worth of diamonds in CSO stocks.

Five years ago, the Soviet Union formally rejoined the cartel and gave the CSO exclusive rights to the diamonds it was exporting. De Beers says that contract has been worthless for two years. So, when negotiations reached a hiatus in December and the Russians wanted the existing contract to be continued for another year, De Beers refused. Since then the old contract was extended a month at a time. De Beers had decided that if a new one could not be agreed by March 1, it would bring down the curtain on the talks.

De Beers had two central gripes. It said the Russians were flagrantly breaching the contract *by exporting huge* quantities of rough diamonds without using the CSO. Ana*lysts suggest well over $1bn* worth "leaked" to the west in this way in the past 18 months.

Also, as Russia began to build up its domestic diamond cutting, the locals were given *first choice of production,* leaving De Beers with the dregs.

The Russians were not *happy either. They found it* hard to understand that the CSO alone sets prices. They *felt,* as big producers, they should be involved in that process. They also suggested they *could get* as much as 35 per cent more for their diamonds *by selling outside the CSO, so* they *wanted to increase the* proportion of stones they could sell independently from the 5 per *cent permitted under the* contract for "market testing".

It remains to be seen whether the deal reached on Friday stops the leakage. But *the memorandum promises the* leakages will stop and was signed by Mr Vladimir Panskov, Russia's minister of finance, rather than by a Komdragmet official.

De Beers is also promised a good cross-section of Russia's diamond production, instead of *what is left once the local cutters* have taken their pick.

News that Russia is staying *in the cartel will be well* received in diamond cutting centres, particularly as it *comes when sales seem reason*ably buoyant. Last year the CSO's sales reached a record *$4.531bn, more than 3 per cent* above the previous peak in 1993. There are still some uncertainties for the cartel, however. Terms of the new three-year contract have still to be thrashed out and some observers will not relax until these are known.

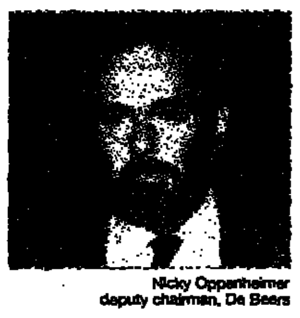
Meanwhile, Australian producers, angered by the way De Beers *made* selective price increases last year, are threatening to quit the cartel when *their present contract expires* in the middle of 1996.

Further ahead, two of the *world's biggest mining companies,* BHP of Australia and RTZ-CRA, the Anglo-Austra*lian group, are to become diamond* producers. Whether they will join the cartel remains open to question.

Kenneth Gooding

Keeping the cartel on the road

Vladimir Panskov
Russian finance minister



Nicky Oppenheimer
deputy chairman, De Beers

World diamond supply, 1993 production

Country	Production (cts,m) (all types)	(Gem)	Sales value ($bn)
Botswana	14.7	9.5	1.36
Russia - newly mined	10.5	2.1	0.64
Russia - from stockpile	30.0	4.2	1.62
South Africa	10.3	3.7	1.00
Namibia	1.1	1.1	0.46
Australia	42.1	1.7	0.36
Angola	1.0	0.5	0.20
Zaire	15.6	0.8	0.31
Ghana	0.6	0.1	0.03
Central Africa Republic	0.5	0.3	0.07
US strategic stockpile	1.2	0.4	0.11
Other	11.5	2.9	0.90
Total - newly mined	107.9	16.7	5.35
Total - all sources	139.2	21.3	7.06

Source: Yorkton Securities

Scandinavian Airlines System plans to streamline ownership structure

By Christopher Brown-Humes in Stockholm

Scandinavian Airlines System has unveiled plans to simplify its ownership structure – *one* of the most complex in the Nordic region – to increase its market visibility at a time of heavy investments in new aircraft.

This will mean a significant overhaul of the Swedish, Danish and Norwegian holding *companies* which own SAS, but it will not lead to the airline's shares being directly quoted on the stock market.

Mr Peter Forsmann, SAS information director, said the streamlining was needed because of airline industry deregulation and the group's big fleet replacement programme.

"We have huge investments ahead of us because we are totally renewing our fleet over the next 10 years," he said.

"It is in our interest to have a clearer ownership structure, good analysis of our company and as good an access to the capital markets as possible."

At the same time, national sensitivities mean the airline will not get the single domicile and direct listing that many observers believe it would like.

SAS is three-sevenths owned by the Swedish group Silas, and two-sevenths each by Denmark's Det Danske Luftfartselskab (DDL) and Det Norske *Luftfartselskap* (DNL) of Norway.

The Swedish, Norwegian and Danish governments hold 50 per cent of each respective company.

The streamlining will not affect this ownership structure nor the division between state and private ownership, but it will force the three holding companies to separate their non-SAS activities, harmonise their accounting procedures, and align their capital to the size of their SAS shareholdings.

Silas is planning a one-off dividend because it has too much *capital, while DDL is planning* a rights issue because it has too little.

Mr Forsmann said: "We want SAS to be exposed to the markets as SAS. The changes planned will make it much easier for investors to understand us."

He said tax was one of the reasons SAS's owners were unwilling to change the company's broader ownership structure.

If the airline had one domicile, all its tax income – SKr750m ($108m) last year – would go to that country, and the two others would get nothing.

SAS has already announced plans to renew a third of its fleet. A year ago, it unveiled a SKr8.5bn order for 35 Boeing 737-600 aircraft with options to purchase a further 35.

Last week the airline dis*closed a record* SKr2.85bn pretax profit for 1995, up strongly from SKr1.5bn a year earlier, *in spite of the impact of strikes* and a weaker fourth-quarter trend.

BET letter attempts to spike Rentokil's guns in bid battle

By Patrick Harverson in London

BET, the UK business services group facing a hostile £1.8bn ($2.77bn) bid from Rentokil, has launched a pre-emptive strike against its rival by sending a letter to shareholders outlining the improvements BET has made in the past five years.

The letter from Sir Christopher Harding, chairman, is an attempt to diminish the impact of the environmental and industrial services group's *offer document, which this* week will put to BET's shareholders the case for accepting the takeover offer.

In the letter, sent over the weekend, BET advises shareholders to reject the "inadequate" offer from Rentokil and details the recovery in BET's *fortunes since 1991.*

BET says between 1991 and 1994 its total net debt was cut from £712m to a net cash position of £33m and the company "sharpened its focus" by reducing profit centres from 160 to 55 and concentrating on businesses with the greatest growth potential.

The letter also outlines BET's profits and dividend record over the past 18 months and notes turnover grew more than 10 per cent in the six months to September 30 1995.

Sir Christopher asks shareholders *to consider this record* when they receive Rentokil's offer document, which is *expected to be published* tomorrow. Rentokil has offered nine new shares and 800p cash for every 20 BET shares, or a cash alternative of 179½p a share.

The letter is the latest salvo in an increasingly heated bid battle. Last week, BET rejected an unexpected offer from Rentokil to buy just three-quarters of the company. Some analysts saw the approach as an attempt by Rentokil to allay City of London concern that its bid might be over-ambitious.

The conduct of the bid battle has also incurred the wrath of City regulators. On Friday, the Takeover Panel criticised Lazard Brothers, the merchant bank acting for Rentokil, over *its handling of the announce*ment of its client's hostile bid on February 16.

The panel said Lazard had failed to keep it fully informed of Rentokil's intentions and *should have acted more* quickly to prevent a false market in BET's shares.

INSIDE

TONY JACKSON:
GLOBAL INVESTOR
Deep job cuts have become the biggest Wall Street fad of all, a trend that reached a probable peak with the recent announcement by AT&T, *the long-distance* telephone company, that it was shedding 40,000 jobs. AT&T's announcement has *become a hot political issue in the race for* the US presidency, but it is in manufacturing, rather than telecommunications, that the dangers of the job cutting – *and of Wall Street's appetite for it – are greatest.* Page 22

■ **BONDS:**
The Inter-American Development Bank's maiden global bond, expected this week, has brought the "global" concept under renewed scrutiny. When the global concept was launched in 1989 it promised much, but recent deals have failed to live up to the expectations of investors. Page 24

■ **EQUITIES:**
The London market will be absorbed today with the government's fortunes in the debate on the Scott report on arms for Iraq. Economic data in the US will dominate proceedings, with figures on retail sales, the consumer price index and the producer price index all due. Page 23

■ **EMERGING MARKETS:**
The turmoil in South Africa amid the collapse of the rand has injected new fervour into the perennial debate over the future of exchange controls – which the reserve bank and the government have pledged to abolish. Page 23

■ **CURRENCIES:**
The starting point for the dollar this week will be the feedback from the first meeting, held last Friday, between President Bill Clinton and Mr Ryutaro Hashimoto, the Japanese prime minister. Good relations will help the dollar, while tensions are likely to weigh on it. Page 23

■ **COMMODITIES:**
Persistent excessive stock levels in the world zinc market are likely to cast a shadow over the American Zinc Association's five-day annual international conference, which began in Palm Springs yesterday. Page 22

■ **INTERNATIONAL COMPANIES:**
Portugal has rejected a Es152bn ($989m) takeover bid for Banco Fomento e Exterior and opted to seek competing *purchase tenders for the state-controlled financial group.* Page 21

■ **UK COMPANIES:**
Members of the family that founded Umbro, the Manchester-based sportswear manufacturer, are planning to take legal action *against its US parent, which is preparing to* float Umbro later this year. Page 20

STATISTICS

Companies in this issue

Family that sold Umbro plans lawsuit

By Patrick Harverson

Members of the family that founded Umbro, the Manchester-based sportswear manufacturer, are planning to take legal action against its US parent which is preparing to float Umbro later this year.

Mr Stuart Humphreys and Mr Ben Humphreys - son and grandson respectively of Umbro's founder Mr Harold Humphreys - have instructed their solicitors to prepare proceedings relating to the sale of Umbro to the privately-owned Stone Manufacturing company of North Carolina in September 1992 for £2.9m.

The two men - who owned 37 per cent of Umbro before its sale - claim that £2.9m was not a "fair" price for a business that made pre-tax profits of £2.1m on revenues of £65m in 1992, and which analysts expect to be valued at more than £100m when it goes public this year.

Mr Ben Humphreys points out that Stone bought Umbro for £2.9m only three months after it had made an offer to buy the company for £14.8m.

The Humphreys' solicitor, Mr Stephen Cantor of Boote Edgar Esterkin in Manchester, said on Friday: "I have been instructed by Ben and Stuart to bring proceedings in respect of the losses they say they have suffered as a result of the sale of Umbro for £2.9m." He said that the possibility of filing a lawsuit in the US was being considered.

Stone Manufacturing would not comment on the allegations yesterday, because, according to Mr Peter Kenyon, Umbro's US-based chief operating officer, all parties to the 1992 sale of the company had signed confidentiality agreements.

However, Mr Kenyon has previously explained that delays in the progress of the takeover resulted in the company's bank announcing it would call in the receivers. He said that the £2.9m offered for Umbro was a fair price at a time when the country was in the grip of a recession and the bank was about to call in its debts.

The threat of legal action comes as Umbro is preparing plans for a flotation. The company, which operates in more than 50 countries, is believed to be considering listing the shares in both New York and London. Industry analysts say the flotation could value Umbro - which made 1994 after-tax profits of £4.2m on sales of £75m in the UK alone - at anything between £100m and £200m.

People within the industry believe Umbro is going public because it needs a new source of capital to fund its expansion. The head of a rival sports goods manufacturer said: "I think they have to go public - they're strapped for cash. They are not making a great return on their trading, because they're ploughing everything back into building the brand's profile."

Although dwarfed in the sportswear industry by Nike, Reebok and Adidas, Umbro has a high profile in football. Worldwide, more than 80 professional teams wear Umbro kits - including Manchester United, Ajax of Amsterdam, and Inter Milan - as do several national squads, including England and Brazil.

In the past month alone Umbro has signed two sponsorship deals worth £80m with Manchester United and Everton, and it is also one of the official sponsors of this summer's European football championships in England.

Granada seeks TV executive

Granada, the hotels and leisure group, said yesterday it had started looking for a senior executive to oversee its expanding television interests, writes Raymond Snoddy.

The search has become necessary because of management changes due in April. Mr Gerry Robinson is due to take over from Mr Alex Bernstein, chairman, and Mr Charles Allen, whose present responsibilities include television, becomes chief executive.

Granada said yesterday: "Conversations have taken place with a number of internal and external candidates, but no appointment has been made and is unlikely for some time."

Mr Duncan Lewis, the former head of Mercury Communications, is among those to whom Granada has been talking. The signs are Granada is at the early stages of finding a replacement for Mr Allen.

Lopex sells its stake in WBF

Lopex, the advertising and marketing services company, has agreed to sell its 73 per cent stake in Warwick Baker & Fiore, a New York-based advertising agency, back to WBF for $2.9m (£1.88m) in staged cash payments.

The disposal forms part of Lopex's strategy of disposing of non-core activities. Proceeds will be used to reduce debt.

Yamaichi quits market-making in gilts

By Graham Bowley, Philip Gawith and Conner Middelmann

Yamaichi, the Japanese securities house, is ceasing to be a gilt-edged market maker in a move which underlines the strong grip a few large dealers have on the industry.

Yamaichi International Europe announced on Friday that its subsidiary, Yamaichi Gilts, is to pull out of gilt-edged market making with effect from today and that all its gilt trading activities will be transferred to Yamaichi International's European government bond desk.

Of the eight trading, sales and support staff employed by the gilts division, six are leaving the company. Yamaichi has made markets in gilts since November 1993.

The move highlights growing competitive pressures within the industry and its polarisation between a few large dealers. It also follows the introduction of the open market in gilt sales and repurchase agreements, or repos, on January 2, which removed the exclusive privilege of gilt-edged marketmakers, or Gemms, to "short" the market, that is, sell gilts they do not own. Since repos allow everyone to go short of gilts, some banks have questioned the need to be a Gemm.

Mr John Shepperd, chief economist at Yamaichi, said: "Institutional changes have made it much less important that one is a Gemm. We can keep a major presence in the market without being a marketmaker and our intention is that we will still be involved."

He said that in "a fiercely competitive market of such size and liquidity one has to question whether there is a need for 20 Gemms". He also said that Japanese investment flows into gilts had been limited, partly because of political and currency risk in the UK. Instead, Japanese investors had preferred other European government bond markets.

One industry analyst said he was surprised by the move. While Yamaichi was never a big player in the market and lacked a large investor base, he said it had spent a lot of money in raising its profile in the market by hiring well-regarded analysts, including Mr Shepperd and Mr Nigel Richardson, head of bond research.

Gilt-edged marketmakers are the official dealers in UK government debt. They are committed to quoting firm bid and offer prices, which can be costly in volatile markets.

Many banks suffered big losses in 1994 from a sharp fall in bond prices and made only disappointing profits last year. One analyst said: "The market has become tighter. Gemms are making money, but it is limited to the big players." Another observer said: "Yamaichi was never very profitable, and the repo market was probably the last nail in the coffin."

Analysts estimate the market share of the top seven Gemms stands at about 70 per cent. Analysts say this group is made up of BZW, Goldman Sachs, HSBC, Lehman Brothers, Salomon Brothers, NatWest and SBC Warburg.

Nomura, Japan's largest securities house, gave up renounced its coveted status as a Gemm last April and Bankers Trust, the US investment bank, pulled out of gilt market-making in December. Société Générale, the French bank, on the other hand, bucked the trend when it became a Gemm in September.

Maybe this time, we can put it all behind us

A year after Barings crashed, its Dutch rescuer ING is still picking up debris, writes Nicholas Denton

Internationale Nederlanden Groep has high hopes for the first anniversary of the collapse of Barings - just as it has had for every other event which could serve to draw a line under the past of the UK merchant bank it rescued.

But ING Barings, the merged investment bank, and Mr Hessel Lindenbergh, its chairman and chief executive, cannot yet devote their full attention to the construction of the emerging markets powerhouse they have planned.

Mr Nick Leeson, the Barings trader whose unauthorised derivatives positions brought down the bank with £830m in losses, has reopened discussion of the collapse with his book Rogue Trader.

Also, the bank is still enmeshed in of disputes - with Ernst & Young, administrators of the failed Barings companies; some of the 21 executives dismissed by ING; Abbey National, Barings' partner in a derivatives venture; and the vociferous holders of £100m of Barings bonds which are now nearly worthless.

The official inquiries into the collapse of Barings, with which ING has to co-operate, have proliferated. The reports by the Bank of England and the inspectors appointed by the Singapore finance ministry are out. But the Securities and Futures Authority, the industry regulator, is considering disciplinary action against executives including Mr Andrew Tuckey, former deputy chairman, who still works for ING, as a consultant. And the Commons Treasury Select Committee announced last week it planned to question six Barings executives, among others, after the Easter recess.

The frustration of Mr Lindenbergh - a 52-year-old former engineer whose Dutch bluntness has not been softened by City public relations - is palpable. He is particularly irritated by the extra demands of the administrators and "quite upset," he says, about the attitude of Abbey National. "It is a disappointment that it took us a lot longer than we thought to get the legal issues sorted out," he says.

The battering, both in the courts and the media, is all the more galling because the underlying business, which ING acquired for a cash injection of £660m, is recovering strongly.

● Barings' corporate finance department had the good fortune that its two largest clients, Wellcome and Lloyds Bank, were both involved in huge M&A deals last year. That, and a strong and cohesive culture, helped advisory fees to a record year, probably in excess of £50m.

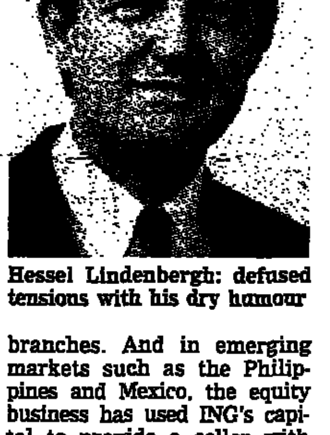
● BAM, the asset management business, was least implicated in the collapse of the group, but seriously affected. So tarnished is the Barings name, and so important is reputation in asset management, that some executives are considering a change of identity.

But now that a year has passed since the collapse, BAM is hopeful of winning mandates from clients in the Far East, where anniversaries are an occasion for rehabilitation. In the US, BAM has re-established its credibility enough to go through to final presentations with three clients.

● Last month, the rebuilding of the derivatives business was well enough advanced for ING Barings to announce the creation of IBFP, a separate entity for derivatives. The emphasis will be on over-the-counter products, tailor-made for companies and investors, rather than the riskier proprietary trading by which Barings made most of its profits.

● The equity broking, which was Barings' largest source of revenue, suffered from the unexpectedly long closure of Barings' Singapore and Tokyo offices after the collapse. Brokerage income, which comes mainly from emerging markets trading, was "very, very depressed" in the second half of the year, according to Mr Lindenbergh. Bonuses in the division are expected to be commensurately low.

But ING Barings is poised to benefit from a return to favour of emerging markets this year. ING Barings is expanding in eastern Europe through ING's existing network of bank branches. And in emerging markets such as the Philippines and Mexico, the equity business had used ING's capital to provide a seller with instant proceeds while waiting until the company is in fit state for a public offering.



Hessel Lindenbergh: defused tensions with his dry humour

The turnaround owes much to luck, the passage of time and the powerful strategic logic of the acquisition. In addition, crucially, ING's takeover of Barings has prompted fewer defections than Swiss Bank Corporation's acquisition of S.G. Warburg.

A pragmatic ING has, for instance, allowed the corporate financiers to operate under Baring Brothers, a name to which they were attached. And, immediately after the collapse, ING braved an outcry by paying employees the £100m of bonuses they had been promised, in order to retain them.

Tensions have also been defused by Mr Lindenbergh's transparent honesty and dry sense of humour. "He has hit exactly the right note with the people here, with the result that they have all stayed," says a Barings executive.

Mr Lindenbergh is said to have an uncanny sensitivity to the unspoken feelings of fellow executives at meetings. "Hessel would pick up that someone was burning with emotion," says a colleague. "'Come on, what's the trouble?' he'd ask."

That was not a question often raised at buttoned-up management meetings at Barings before the collapse.

NEWS DIGEST

Showa Shell says the worst is over

Showa Shell, Japan's largest oil refiner, reported another steep fall in annual profits, but said the worst was over. The group, an affiliate of Royal Dutch Shell, announced a 22.3 per cent fall in recurring profits - before tax and extraordinary items - to Y19.09bn ($182m) for 1995, slightly better than the Y18bn the market had expected. It attributed the bulk of the Y5.5bn fall in profits to a Y3bn write-off for earlier foreign exchange losses. This, said Showa, completed the write-offs required to clear losses on forward US dollar contracts, taken out in the early 1980s to cover oil imports, on what turned out to be the wrong assumption that the US currency would fall against the yen.

Sales fell by 3.3 per cent to Y1,354bn. Showa Shell blamed more than half the fall on the price war in petrol, diesel and fuel oil. It was the fourth successive year of decline for both sales and profits at the company, which expects a slight recovery this year. Net profits dropped sharply, from Y38.71 per share in 1994 to Y26.48 last year, and are expected to stagnate in the current year at Y26.54 per share, it said.

William Dawkins, Tokyo

Tower Semiconductor to expand

Tower Semiconductor, the Israeli semiconductor manufacturer, is considering building a $1bn manufacturing plant in Israel to expand its growing business. A final decision to invest would depend on the incentive package the government would offer.

The Tower move follows two large semiconductor investment announcements made recently by Intel and Motorola, both seeking to exploit Israel's hefty subsidy policy for companies investing in development zones.

Avi Machlis, Jerusalem

Oslo to proceed with UBN sale

The Norwegian government is to proceed with the sale of its stake in Union Bank of Norway (UBN), the country's largest savings bank. The government stands to raise about NKr1.7bn ($280m) from the sale of up to 10m primary capital certificates (PCCs) in UBN, 43 per cent of the bank's PCC capital. The PCCs, similar to equity but with reduced voting rights, closed at NKr176 in Oslo on Friday.

The sale of the stake is part of the government's programme to dispose of its holdings in four banks. Last year it sold its shares in Fokus and Christiania and this year it is expected to sell off some of its holding in Den norske, the country's top commercial bank. The PCCs will be sold to domestic and foreign institutions and the Norwegian public. The book-building exercise will commence on March 1, with pricing on March 15 and allocations on March 16 and 17. Dresdner Kleinwort Benson is global co-ordinator.

Antonia Sharpe, London

Best year for Korean carmakers

The Korea Automobile Manufacturers' Association (Kama) estimates that South Korea's five vehicle producers will report a record year for sales and profits in 1995, with combined net earnings of Won138bn ($177m) and sales up by 18 per cent to Won23,000bn.

Hyundai Motor, the country's largest maker of vehicles, is expected to report net earnings of Won210bn on sales of Won10,200bn, while profits for Kia and Daewoo were estimated at Won10bn each after both reported losses in 1994. Sales for Kia in 1995 are expected to be Won5,700bn, with Daewoo at Won3,600bn. Asia Motor, the truck subsidiary of Kia, is estimated to have a net profit of Won8bn on sales of Won1,600bn. However, Ssangyong Motor is expected to post a loss of Won100bn on sales of Won1,000bn due to heavy investment in production expansion and development.

John Burton, Seoul

Quantum official denies loss

Mr Richard Katz, an executive director of the $6bn Quantum fund run by Mr George Soros, described as "completely incorrect" reports that shares in the fund had lost $1.6bn in value this month. He said net asset values per share had fallen from $25,330 at the beginning of February to $19,910 at the latest valuation, but the fund had made a distribution worth $4,200 a share, leaving a net fall of about 5 per cent. Since the beginning of the year, net asset values had fallen by about 2 per cent.

Since early February, the price of shares in the fund, including a premium of roughly 30 per cent, has fallen from about $33,000 to about $27,000 before taking account of the distribution.

Ralph Atkins, London

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, February 23, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7316.90	4750.00	3272.83	4528.20
Albania	(Lek)	149.034	96.7500	65.6644	92.2527
Algeria	(Dinar)	81.8458	53.1328	36.6105	50.6630
Andorra	(French Fr)	7.6802	4.9860	3.4355	4.7542
	(Sp Peseta)	188.316	122.255	84.2383	116.572
Angola	(Kwanza)	8680.15	5635.00	3882.73	5373.06
Antigua	(E Carib $)	4.1591	2.7000	1.8604	2.5745
Argentina	(Peso)	1.5401	0.9998	0.6890	0.9534
Armenia	(Dram)	619.395o	402.100	277.062	383.409
Aruba	(Florin)	2.7573	1.7900	1.2334	1.7068
Australia	(Aus $)	2.0358	1.3215	0.9106	1.2601
Austria	(Schilling)	15.7245	10.2084	7.0340	9.7339
Azerbaijan	(Manat)	6847.06o	4445.00	3062.77	4238.38
Azores	(Port Escudo)	232.339	150.835	103.931	143.824
Bahamas	(Bahama $)	1.5404	1	0.6890	0.9535
Bahrain	(Dinar)	0.5807	0.3770	0.2598	0.3595
Balearic Is	(Sp Peseta)	188.316	122.255	84.2383	116.572
Bangladesh	(Taka)	62.3842	40.5000	27.9060	38.6174
Barbados	(Barb $)	3.0982	2.0113	1.3859	1.9178
Belarus	(Rouble)	18812.1o	12212.5	8414.87	11644.8
Belgium	(Belg Fr)	45.3949	29.8600	20.6747	28.4720
Belize	(B $)	3.0808	2.0000	1.3781	1.9070
Benin	(CFA Fr)	768.020	498.600	343.554	475.423
Bermuda	(Bermudian $)	1.5404	1	0.6890	0.9535
Bhutan	(Ngultrum)	55.8454	36.2550	24.9811	34.5697
Bolivia	(Boliviano)	7.6864	4.9900	3.4383	4.7580
Botswana	(Pula)	4.5338	2.9429	2.0278	2.8061
Brazil	(Real)	1.5124	0.9819	0.6766	0.9363
Brunei	(Brunei $)	2.1696	1.4085	0.9705	1.3430
Bulgaria	(Lev)	116.100	75.3700	51.9328	71.8665
Burkina Faso	(CFA Fr)	768.020	498.600	343.554	475.423
Burma	(Kyat)	8.9391	5.8031	3.9986	5.5334
Burundi	(Burundi Fr)	396.168	257.184	177.209	245.229
Cambodia	(Riel)	3542.92	2300.00	1584.79	2193.09
Cameroon	(CFA Fr)	768.020	498.600	343.554	475.423
Canada	(Canadian $)	2.1213	1.3772	0.9489	1.3132
Canary Is	(Sp Peseta)	188.316	122.255	84.2383	116.572
Cp. Verde	(CV Escudo)	127.807	82.9700	57.1694	79.1132
Cayman Is	(CI $)	1.2758	0.8282	0.5707	0.7897
Cent. Afr. Rep	(CFA Fr)	768.020	498.600	343.554	475.423
Chad	(CFA Fr)	768.020	498.600	343.554	475.423
Chile	(Chilean Peso)	634.701	412.050	283.916	392.896
China	(Yuan)	12.8084	8.3152	5.7295	7.9287
Colombia	(Col Peso)	1598.88	1037.80	715.083	989.559
Comoros	(Fr)	578.459	375.525	258.751	358.069
Congo	(CFA Fr)	768.020	498.600	343.554	475.423
Costa Rica	(Colon)	305.677	198.440	136.733	189.216
Côte d'Ivoire	(CFA Fr)	768.020	498.600	343.554	475.423
Croatia	(Kuna)	8.3049	5.3914	3.7149	5.1407
Cuba	(Cuban Peso)	1.5404	1	0.6890	0.9535
Cyprus	(Cyprus £)	0.7117	0.4620	0.3183	0.4405
Czech Rep.	(Koruna)	41.5541	26.9770	18.5882	25.7230
Denmark	(Danish Krone)	8.6432	5.6112	3.8663	5.3504
Djibouti Rep	(Djib Fr)	246.464	160.000	110.246	152.563
Dominica	(E Carib $)	4.1591	2.7000	1.8604	2.5745
Dominican Rep	(D Peso)	21.1035	13.7000	9.4398	13.0632
Ecuador	(Sucre)	4560.35o	2960.50	2039.90	2822.88
	(Sucre)	4436.35o	2880.00	1984.43	2746.13
Egypt	(Egyptian £)	5.2351	3.3985	2.3417	3.2405
El Salvador	(Colon)	13.4939	8.7600	6.0360	8.3529
Equat'l Guinea	(CFA Fr)	768.020	498.600	343.554	475.423
Estonia	(Kroon)	17.9518	11.6540	8.0300	11.1123
Ethiopia	(Ethiopian Birr)	8.9343	5.8000	3.9964	5.5304
Falkland Is	(Falk £)	1	0.6492	0.4473	0.6190
Faroe Is	(Danish Krone)	8.6432	5.6112	3.8663	5.3504
Fiji Is	(Fiji $)	2.1819	1.4165	0.9760	1.3506
Finland	(Markka)	6.9424	4.5071	3.1056	4.2976
France	(Fr)	7.6802	4.9860	3.4355	4.7542
Fr. Cty/Africa	(CFA Fr)	768.020	498.600	343.554	475.423
Fr. Guiana	(Local Fr)	7.6802	4.9860	3.4355	4.7542
Fr. Pacific Is	(CFP Fr)	140.232	91.0363	62.7274	86.8046
Gabon	(CFA Fr)	768.020	498.600	343.554	475.423
Gambia	(Dalasi)	15.1730	9.8500	6.7870	9.3921
Germany	(D-Mark)	2.2355	1.4513	1	1.3838
Ghana	(Cedi)	2344.49	1522.00	1048.72	1451.25
Gibraltar	(Gib £)	1	0.6492	0.4473	0.6190
Greece	(Drachma)	369.830	240.085	165.434	228.934
Greenland	(Danish Krone)	8.6432	5.6112	3.8663	5.3504
Grenada	(E Carib $)	4.1591	2.7000	1.8604	2.5745
Guadeloupe	(Local Fr)	7.6802	4.9860	3.4355	4.7542
Guam	(US $)	1.5404	1	0.6890	0.9535
Guatemala	(Quetzal)	9.4898	6.1606	4.2449	5.8742
Guinea	(Fr)	1535.78	997.000	686.970	950.656
Guinea-Bissau	(Peso)	27782.7	18036.0	12427.5	17197.6
Guyana	(Guyanese $)	213.952	138.900	95.7073	132.443
Haiti	(Gourde)	24.9175	16.1760	11.1459	15.4241
Honduras	(Lempira)	16.0818	10.4400	7.1936	9.9547
Hong Kong	(HK $)	11.9108	7.7325	5.3280	7.3731
Hungary	(Forint)	217.213	141.015	97.1646	134.460
Iceland	(Icelandic Krona)	101.543	65.9200	45.4214	62.8558
India	(Indian Rupee)	55.8454	36.2550	24.9811	34.5697
Indonesia	(Rupiah)	3562.06	2312.50	1593.40	2205.01
Iran	(Rial)	4621.20u	3000.00	2067.11	2860.55
Iraq	(Iraqi Dinar)	0.4789o	0.3109	0.2142	0.2965
Iraq	(Iraqi Dinar)	1540.40m	1000.00	689.037	953.516
Irish Rep	(Punt)	0.9701	0.6298	0.4339	0.6005
Israel	(Shekel)	4.7940	3.1123	2.1445	2.9676
Italy	(Lira)	2404.10	1560.75	1075.42	1488.20
Jamaica	(Jamaican $)	57.9961	37.6500	25.9423	35.8999
Japan	(Yen)	161.544	104.875	72.2628	100
Jordan	(Jordanian Dinar)	1.0921	0.7090	0.4885	0.6760
Kazakhstan	(Tenge)	100.681	65.3600	45.0355	62.3218
Kenya	(Kenya Shilling)	89.9978	58.4250	40.2570	55.7092
Kiribati	(Australian $)	2.0358	1.3215	0.9106	1.2601
Korea North	(Won)	3.3119	2.1500	1.4814	2.0501
Korea South	(Won)	1201.86	780.250	537.621	743.981
Kuwait	(Kuwaiti Dinar)	0.4602	0.2988	0.2059	0.2849
Laos	(New Kip)	1417.17	920.000	633.914	877.235
Latvia	(Lats)	0.8320	0.5401	0.3722	0.5150
Lebanon	(Lebanese £)	2446.85	1588.50	1094.54	1514.66
Lesotho	(Maluti)	5.9381	3.8550	2.6562	3.6758
Liberia	(Liberian $)	1.5404	1	0.6890	0.9535
Libya	(Libyan Dinar)	0.5476	0.3555	0.2450	0.3390
Liechtenstein	(Swiss Fr)	1.8158	1.1789	0.8123	1.1241
Lithuania	(Litas)	6.1616	4.0000	2.7562	3.8141
Luxembourg	(Lux Fr)	45.9949	29.8600	20.5747	28.4720
Macao	(Pataca)	12.3021	7.9863	5.5029	7.6151
Macedonia	(Denar)	58.6693	38.1000	26.2523	36.3290
Madagascar	(MG Fr)	6084.58	3950.00	2721.70	3766.39
Madeira	(Port Escudo)	232.339	150.835	103.931	143.824
Malawi	(Kwacha)	23.6298	15.3400	10.5698	14.6269
Malaysia	(Ringgit)	3.9341	2.5540	1.7598	2.4353
Maldive Is	(Rufiya)	18.1305	11.7700	8.1100	11.2229
Mali Rep	(CFA Fr)	768.020	498.600	343.554	475.423
Malta	(Maltese Lira)	0.5485	0.3561	0.2453	0.3395
Martinique	(Local Fr)	7.6802	4.9860	3.4355	4.7542
Mauritania	(Ouguiya)	211.497	137.300	94.6048	130.918
Mauritius	(Maur Rupee)	28.6129	18.5750	12.7989	17.7116
Mexico	(Mexican Peso)	11.5757	7.5150	5.1781	7.1657
Miquelon	(Local Fr)	7.6802	4.9860	3.4355	4.7542
Moldova	(Leu)	7.0319	4.5650	3.1455	4.3528
Monaco	(French Fr)	7.6802	4.9860	3.4355	4.7542
Mongolia	(Tugrik)	718.859	466.670	321.553	444.977
Montserrat	(E Carib $)	4.1591	2.7000	1.8604	2.5745
Morocco	(Dirham)	13.1115	8.5118	5.8649	8.1161
Mozambique	(Metical)	15250.0	9900.00	6821.47	9439.81
Namibia	(S A Rand)	5.9381	3.8550	2.6562	3.6758
Nauru Is	(Australian $)	2.0358	1.3215	0.9106	1.2601
Nepal	(Nepalese Rupee)	88.1879	57.2500	39.4474	54.5888
Netherlands	(Guilder)	2.5039	1.6256	1.1201	1.5500
N'nd Antilles	(A/Guilder)	2.7573	1.7900	1.2334	1.7068
New Zealand	(NZ $)	2.2775	1.4784	1.0187	1.4097
Nicaragua	(Gold Cordoba)	12.4458	8.0798	5.5672	7.7040
Niger Rep	(CFA Fr)	768.020	498.600	343.554	475.423
Nigeria	(Naira)	33.8888o	22.0000	15.1588	20.9774
	(Naira)	131.931m	85.6500	59.0161	81.6687
Norway	(Nor. Krone)	9.7621	6.3376	4.3668	6.0430
Oman	(Rial Omani)	0.5931	0.3850	0.2653	0.3671
Pakistan	(Pak. Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Panama	(Balboa)	[illegible]	[illegible]	[illegible]	[illegible]
Papua New Guinea	(Kina)	[illegible]	[illegible]	[illegible]	[illegible]
Paraguay	(Guarani)	[illegible]	[illegible]	[illegible]	[illegible]
Peru	(New Sol)	[illegible]	[illegible]	[illegible]	[illegible]
Philippines	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Pitcairn Is	(£ Sterling)	[illegible]	[illegible]	[illegible]	[illegible]
	(NZ $)	[illegible]	[illegible]	[illegible]	[illegible]
Poland	(Zloty)	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Escudo)	[illegible]	[illegible]	[illegible]	[illegible]
Puerto Rico	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Qatar	(Riyal)	[illegible]	[illegible]	[illegible]	[illegible]
Reunion Is. de la	(F Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Romania	(Leu)	[illegible]	[illegible]	[illegible]	[illegible]
Russia	(Rouble)	[illegible]	[illegible]	[illegible]	[illegible]
Rwanda	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
St Christopher	(E Carib $)	[illegible]	[illegible]	[illegible]	[illegible]
St Helena	(£)	[illegible]	[illegible]	[illegible]	[illegible]
St Lucia	(E Carib $)	[illegible]	[illegible]	[illegible]	[illegible]
St Pierre	(French Fr)	[illegible]	[illegible]	[illegible]	[illegible]
St Vincent	(E Carib $)	[illegible]	[illegible]	[illegible]	[illegible]
San Marino	(Italian Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Sao Tome	(Dobra)	[illegible]	[illegible]	[illegible]	[illegible]
Saudi Arabia	(Riyal)	[illegible]	[illegible]	[illegible]	[illegible]
Senegal	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Seychelles	(Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sierra Leone	(Leone)	[illegible]	[illegible]	[illegible]	[illegible]
Singapore	(S $)	[illegible]	[illegible]	[illegible]	[illegible]
Slovakia	(Koruna)	[illegible]	[illegible]	[illegible]	[illegible]
Slovenia	(Tolar)	[illegible]	[illegible]	[illegible]	[illegible]
Solomon Is	(SI $)	[illegible]	[illegible]	[illegible]	[illegible]
Somali Rep	(Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
South Africa	(Rand)	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Peseta)	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Ports in N Africa	(Sp Peseta)	[illegible]	[illegible]	[illegible]	[illegible]
Sri Lanka	(Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sudan Rep	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Surinam	(Guilder)	[illegible]	[illegible]	[illegible]	[illegible]
Swaziland	(Lilangeni)	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(Krona)	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Syria	(£)	[illegible]	[illegible]	[illegible]	[illegible]
Taiwan	(T $)	[illegible]	[illegible]	[illegible]	[illegible]
Tanzania	(Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
Thailand	(Baht)	[illegible]	[illegible]	[illegible]	[illegible]
Togo Rep	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Tonga Is	(Pa'anga)	[illegible]	[illegible]	[illegible]	[illegible]
Trinidad/Tobago	(TT $)	[illegible]	[illegible]	[illegible]	[illegible]
Tunisia	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Turkey	(Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Turks & Caicos	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Tuvalu	(Australian $)	[illegible]	[illegible]	[illegible]	[illegible]
Uganda	(New Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
Ukraine	(Karbovanets)	[illegible]	[illegible]	[illegible]	[illegible]
U A E	(Dirham)	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom	(£)	[illegible]	[illegible]	[illegible]	[illegible]
United States	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Uruguay	(Peso Uruguayo)	[illegible]	[illegible]	[illegible]	[illegible]
Vanuatu	(Vatu)	[illegible]	[illegible]	[illegible]	[illegible]
Vatican	(Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela	(Bolivar)	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela	(Bolivar)	[illegible]	[illegible]	[illegible]	[illegible]
Vietnam	(Dong)	[illegible]	[illegible]	[illegible]	[illegible]
Virgin Is-British	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Virgin Is-US	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Western Samoa	(Tala)	[illegible]	[illegible]	[illegible]	[illegible]
Yemen (Rep of)	(Rial)	[illegible]	[illegible]	[illegible]	[illegible]
Yugoslavia	(New Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Zaire Rep	(Zaire)	[illegible]	[illegible]	[illegible]	[illegible]
Zambia	(Kwacha)	[illegible]	[illegible]	[illegible]	[illegible]
Zimbabwe	(Z $)	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights February 22, 1996 Utd Kingdom £0.954602 Utd States $1.47232 Germany DM2.13860 Japan Y155.403 European Currency Unit Rates February 23, 1996 Utd Kingdom £0.842244 Utd States $1.29605 Germany DM1.88748 Japan Y136.[illegible]

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (p) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Venezuelan Official rate devalued on 11/12/95. Market rate derived from Brady bond trading. (2) Yugoslavian Dinar devalued on 26/11/95 (3) Yemeni official rate abolished; Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 39p/minute cheap rate, 49p/minute at all other times. Friday, February 23, 1996

Portugal turns down BPI bid for BFE

By Peter Wise in Lisbon

Portugal has rejected a Es152bn ($989m) takeover bid for Banco Fomento e Exterior and opted to seek competing purchase tenders for the state-controlled financial group.

The finance ministry turned down the offer by Banco Português de Investimento on the grounds that it was not envisaged within the government's privatisation plans for BFE.

Analysts said the decision was a clear message that the new centre-left government aimed to keep firm control of its extensive privatisation programme rather than let the market dictate terms.

But the government has opened itself to criticism for taking over a month to reach what amounts to a political decision, given that the legal and technical terms of BPI's bid were officially approved.

BFE, Portugal's fifth-largest banking group, is now to be privatised through competitive bidding for a controlling stake. This would better protect the interests of the state and minority shareholders, the finance ministry said.

Mr Artur Santos Silva, BPI president, said yesterday the bank would analyse the detailed terms for BFE's privatisation, which have not yet been made public, before deciding how to advance.

BPI, the sixth-largest Portuguese banking group, offered Es132bn for 100 per cent of BFE on January 19, raising its bid to Es152bn on February 19. It would have also paid accepting shareholders a 1995 dividend of up to Es90 a share.

BPI's highest bid price of Es1,900 a share sets a benchmark for the base price for the privatisation, which has not been set. BFE shares closed at Es1,955 on Friday before the government announced its decision.

Candidates for the controlling stake will be pre-selected by a jury. The holding will then be sold to the highest bidder from the short-list. Potential buyers will be offered an indivisible block of 51 per cent of BFE directly owned by the state.

The successful purchaser will also have to offer at least the same price for 19.5 per cent of the bank that was privatised in 1994, and for 12 per cent owned by Cimpor, a state-controlled cement company.

In a second phase, the remaining 17.5 per cent of BFE will be offered to employees and small savers at a fixed price. Any shares not sold will have to be bought by the purchaser of the main holding.

Portugal is to set a maximum limit on the total assets of any financial group seeking to acquire BFE. This gives the government the power to bar large foreign banks from the bidding as well as Portugal's dominant groups.

Some analysts say the government should also fix a minimum asset size to prevent small banks acting as a front for unknown investors.

German investors nervous about prospects for Emu

By Andrew Fisher in Frankfurt

German private investors are increasingly nervous about the prospect of European monetary union and the disappearance of the D-Mark, leading many to avoid investments maturing after 1999, according to some bank advisers and economists.

Such fears contributed to last week's low bidding for a DM10bn issue of five-year government notes, although traders mainly blamed the Bundesbank for mishandling the auction. The issue matures in November 2000; Emu is due to start on January 1 1999.

"This is a neuralgic time threshold," said Mr Adolf Rosenstock of Industrial Bank of Japan's Frankfurt office. "Older people are especially cautious and risk-averse. These are the people who have built up considerable assets. This factor [Emu anxieties] should not be under-estimated."

He said, however, that it was impossible to quantify the effect on investment attitudes of concern over Emu. Much evidence was anecdotal, but should not be ignored by politicians ahead of Emu. "Any mistakes could lead to chaotic circumstances on the capital market."

Big institutional investors have mostly taken account of Emu in their strategies, said Mr Dieter Wermuth of Westdeutsche Landesbank. "It is not a topic any more for the professionals." But Mr Rosenstock said private investors were cautious. "You can't easily remove mistrust about new money."

The D-Mark will be replaced by the euro when Emu begins, although the new currency will not be widely distributed until 2002. "Clients have become very sensitive about currency union," said Prince Alexander of Hessen, a Frankfurt-based investment adviser at Bayerische Vereinsbank. "They are wary of longer-term loans, though low interest rates also play a part."

"There is much uncertainty about how Emu will be introduced. Older people also remember the currency reform. They are wrong to compare the two, but it is a very emotional subject," he added. In the 1948 reform, savers lost out under the terms of the Reichsmark's replacement by the D-Mark.

With Emu, the fear is that the D-Mark will be succeeded by a weaker euro. Politicians and central bankers have stressed that the economic criteria for Emu must be adhered to strictly, but this has raised the question of whether it can start on time, since even Germany now fails to meet all the criteria.

"Private investors are certainly worried about Emu," said Mr Jan Holthusen, bond analyst at DG Bank. "Many have drastically shortened the period over which they want to invest." He said Emu affected the attitudes of investors with up to DM1m ($689m).

North looks to long term after first-half downturn

By Nikki Tait in Melbourne

North, the Melbourne-based resources group, reported a fall in after-tax profits from A$51.9m to A$32.3m (US$24.4m) in the half-year to end-December, on revenues up from A$457.1m to A$480.1m.

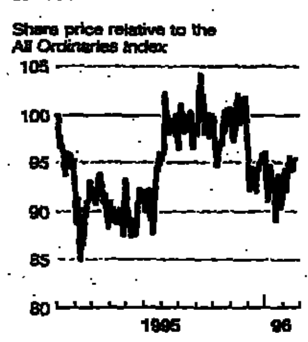
Mr Campbell Anderson, managing director, said that "at this point" he would expect the second half to be "a considerable improvement" on the first.

But, in its formal statement, North also warned that any profits growth over the next two years was likely to be modest due to "increased exploration and development programmes and higher financial charges relating to recent acquisitions offsetting any gains in sales and profits from existing businesses".

Longer-term, however, it said that shareholders could expect to benefit increasingly from new projects and investments.

Operating profits for the first half were little changed from the same period a year ago, with the group making A$124.5m against A$123.8m. But higher exploration costs of A$26.6m against A$20.3m, a small interest charge against a surplus last time, and an A$8.9m abnormal item significantly reduced the bottom line.

North



Source: FT Extel

The abnormal charge related to the write-down to market value of the company's investment in Dominion, another listed mining group, after North decided not proceed with an option to buy up to 80 per cent of the Yakabindie nickel project in Western Australia, which Dominion was seeking to develop.

North said it was still talking to Dominion, but that it had no confidence "one way or the other" of resurrecting the deal. There had been no decision to sell the Dominion stake, but it was now held as a current asset.

Of the group's core activities, profits from uranium and gold were sharply higher, on the back of higher sales and strengthening markets. The Warman equipment business also posted higher earnings. But iron ore was down, due to lower sales volumes and cost increases, as was forest products, mainly as a result of export licence restrictions.

The Swedish Zinkgruvan mine, which North acquired late last year, had no effect, with North accounting for the business for January 1. However, the company said that it was encouraged by the purchase, and that its desire to increase annual production from around 650,000 tonnes at present to 900,000 over the next three to four years had been accepted locally.

Brambles ahead

Brambles Industries, the Sydney-based transportation, equipment hire and waste disposal group, lifted net profits by 16.2 per cent to A$102.5m (US$77.6m) for the half-year to end December, writes Bethan Hutton in Sydney.

Earnings per share rose by 15.1 per cent to 46.5 cents, and the interim dividend is up from 32 to 34 cents. The company predicted a "solid increase" in full-year figures.

Bre-X shares soar on Busang stake

Bernard Simon looks at a Canadian gold rush winner in Indonesia

Even by the super-charged standards of speculative North American mining shares, Bre-X Minerals has put on a terrific show. The Calgary-based exploration company, which is listed on the Alberta stock exchange, has rocketed from C$1.90 a year ago to a peak of C$170 last week. The shares closed at C$150.25 last Friday, giving Bre-X a market capitalisation of C$3.2bn.

The buying frenzy stems from Bre-X's 80 per cent stake in what appears to be a huge gold deposit at Busang, Indonesia. Busang is part of an extensive "gold belt" stretching across the island of Kalimantan that has attracted several prominent multinational mining companies and a horde of small exploration outfits.

"It's more than a gold discovery," says Mr John Hainey, analyst at Eagle & Partners in Toronto. "Even if Bre-X does noth g else, they're already in the category of senior gold producers."

Bre-X's shares have been given an extra push by speculation of a takeover bid. According to Mr Ron Coll, analyst at Deutsche Morgan Grenfell in Toronto, "this is the kind of project that the big companies need to get control of".

Possible predators include Newmont Mining, the US group, Vancouver-based Placer Dome, and Barrick Gold of Toronto. Earlier this year Barrick advanced US$14.7m to another junior company to finance exploration on a parcel of properties near Busang.

The big question now is just how rich the Busang deposit will turn out to be. Bre-X bought its initial stake in the property two years ago for a modest C$100,000. Drilling results released last week delineated reserves of about 15m ounces. However, drilling has so far been limited to only a relatively small section in the south-east of the property.

"They could quite easily get 30m ounces, and it doesn't stop there," Mr Hainey says. "The upside is still wide open."

[illegible] comparison, medium-sized North American producers have reserves of 5m to 10m ounces. Barrick Gold, currently the biggest gold producer outside South Africa, estimates its total "proven and probable" reserves at 36.5m ounces.

Besides its size, the Busang deposit appears to have the advantages of being high-grade, close to the surface and amenable to a relatively simple metallurgical extraction process. Production costs are thus expected to be low.

Mr David Walsh, Bre-X's chief executive, predicts that a mine could be in operation by late 1999.

Bre-X is 24 per cent owned by Bresea Resources, which is listed on the Montreal stock exchange. Mr Walsh, whose background is in investment management and mining finance, is a substantial shareholder in both companies.

Bre-X owes much of its success, however, to Mr John Felderhof, a Canadian geologist who lives in Indonesia and is credited with having a hand in the discovery of Ok Tedi, the big copper and gold mine in Papua New Guinea. Mr Felderhof persuaded Mr Walsh to invest in Indonesia in 1993 on the grounds that metal prices were low and, in Mr Walsh's words, "because no-one was there".

Bre-X shareholders will be asked to approve a 10-for-1 share split at next month's annual meeting. Analysts estimate the shares are worth C$200 or more, based on valuation criteria applied to large North American producers.

However, an investment in Bre-X does carry greater risks, including its reliance on a single project and the fact that Busang is still several years away from production.

Bad debt provisions hit Banco Bamerindus

By Angus Foster in São Paulo

Banco Bamerindus, one of Brazil's largest private sector banks, has announced a sharp fall in profits following a big rise in bad debt provisions. Bamerindus, which was affected last year by rumours about the health of several Brazilian banks, also saw its borrowing costs increase and a steep fall in deposits.

Bamerindus said net profits fell to R$99.7m (US$101.7m) in the year to December 31, compared with R$136.3m in 1994. Earnings per 1,000 shares fell from R$4.10 in the previous period to R$2.84.

About two-thirds of Bamerindus' profits came in the first half of the year, before Brazil's economy slowed and several banks hit a liquidity crisis. Bamerindus's provisions for doubtful credits jumped from [illegible]m to R$402m, although one analyst said the bank's provisions were less cautious than some rivals.

Bamerindus said deposits fell from R$9.05bn to R$6.58bn. Several banks were hit by liquidity concerns during the year, prompting customers to shift to the country's biggest private sector banks.

Income from banking services, seen as an important source of profits now inflation-related gains have fallen, rose more than 40 per cent to R$636.8m.

Partly prompted by these liquidity concerns, Bamerindus sold its stakes in two of Brazil's largest steelmakers, CSN and Usiminas, and a petrochemical company. The bank said the sales raised R$255.6m. Inpacel, a troubled paper company controlled by the bank, continued to lose money, the bank said.

Bamerindus reported a slight increase in net assets during the year. They rose 8.3 per cent to R$1.34bn. The bank's return on net assets fell from more than 11 per cent to 7.5 per cent.

FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / Tony Jackson

Behind the fads lurk real-world issues

Spot the hidden trend. Last September, the US phone company AT&T announced it would split itself up, and in the next five trading days its stock rose 11 per cent. In November, healthcare group Baxter International said the same, and its stock rose 9 per cent. Next came business services company Dun & Bradstreet, which then rose 2 per cent; and most recently the UK conglomerate Hanson, which fell 5 per cent.

Here is an investment fad being worked to death. In a rising market, such fads proliferate. A company does something unexpected, and its stock rises. Other chief executives and their financial advisers take note and follow suit. Eventually investors turn away in boredom, and the game moves on.

Some of these fads are frothy and fairly harmless, such as the vogue for Internet stocks. Cybercash, a software company which has yet to record any sales, let alone profits, went public two weeks ago and is now worth over $500m. Some are more deep-seated, and could prove correspondingly dangerous.

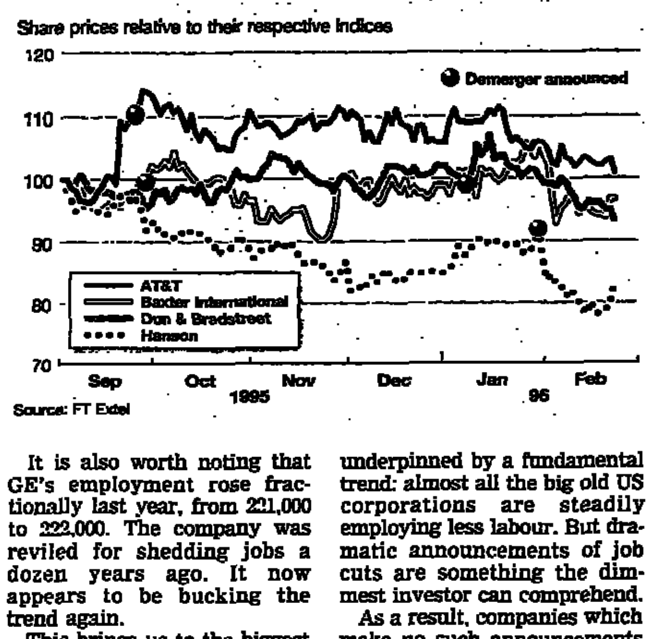
Proponents of demerger might argue that Dun & Bradstreet and Hanson are not fair examples. Dun & Bradstreet's break-up plan appears to involve a dividend cut, and Hanson's raises tax problems.

But that is just the point. It is a fair bet that neither deal would have been proposed had it not been for the uncritical reception of previous demergers. The AT&T break-up, being the biggest, may have marked the high water mark of this particular vogue. Its real value to shareholders remains a matter for debate.

Last week, General Electric, America's biggest company by market value and an unabashed conglomerate, devoted space in its annual report to explaining just why it has no intention of demerging.

Mr Jack Welch, GE's chairman, told shareholders that GE has gone to immense pains to create a small company culture, so demerger would be redundant. "We are a company intent on getting bigger, not smaller," he wrote. "[Our] only answer to the trendy question – 'what do you intend to spin off?' – is 'cash, and lots of it'."

Price of breaking up



Source: FT Extel

It is also worth noting that GE's employment rose fractionally last year, from 221,000 to 222,000. The company was reviled for shedding jobs a dozen years ago. It now appears to be bucking the trend again.

This brings us to the biggest Wall Street fad of all. There is no question that job-shedding is partly a matter of investment fashion. Granted, it is underpinned by a fundamental trend: almost all the big old US corporations are steadily employing less labour. But dramatic announcements of job cuts are something the dimmest investor can comprehend.

As a result, companies which make no such announcements are on the defensive. Mr George Fisher, chairman of Kodak, has said firmly that he is not about to slash jobs, since his predecessors cut so much that the corporate culture cannot stand any more. In a different climate, the point might seem eminently sensible. As it is, Wall Street disapproves.

Again, the high water mark of this vogue might turn out to be AT&T. Its recent announcement of 40,000 job losses has become a real political issue.

A mug-shot of Mr Bob Allen, AT&T's chairman, appears on last week's cover of Newsweek magazine, along with such luminaries as Mr Al Dunlap of Scott Paper. "Corporate Killers", the cover shouts. "Wall Street Loves Layoffs. But the Public Is Scared as Hell."

Mr Pat Buchanan, the presidential candidate, has used job cuts as a stick to beat big business. His rival Mr Bob Dole has been obliged to follow suit, musing in recent speeches on why record corporate profits should coincide with record job losses. Even the Wall Street Journal carried an article highly critical of Mr Allen on its front page last week.

Total return in local currency to 22/2/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.07	0.08	0.20	0.12
Month	0.46	0.04	0.30	0.37	0.82	0.53
Year	5.94	2.38	5.63	6.82	10.56	7.81
Bonds 3-5 year						
Week	-0.68	-0.29	-0.82	-0.41	0.09	-0.54
Month	0.20	-1.08	-1.84	-0.74	-0.44	-0.73
Year	12.59	8.72	13.30	14.27	18.88	13.48
Bonds 7-10 year						
Week	-1.35	-0.53	-1.31	-0.88	-0.26	-0.94
Month	-0.98	-0.84	-3.41	-1.91	-1.44	-2.21
Year	16.17	12.69	14.74	17.37	24.32	14.85
Equities						
Week	1.2	-2.4	-0.6	-0.3	-3.5	-0.9
Month	7.7	0.1	0.7	1.4	-4.6	0.4
Year	36.8	13.7	15.7	13.9	-4.9	28.5

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Band Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

The irony is that AT&T is the wrong target. Throughout the phone industry, technology is steadily replacing labour. British Telecom, a company with a quarter of AT&T's revenues, got rid of 19,000 employees on a single day in 1992. In the US, the process is being accelerated by the advent of deregulation. AT&T's rivals will doubtless follow suit.

But if telecoms are a special case, manufacturing industry is not. There is a real risk that some manufacturers, egged on by Wall Street, are cutting jobs too far and will pay the price in the upturn.

This thesis – so-called "hollowing out" – is ridiculed by many industrialists, including Mr Welch of GE. US manufacturers, they argue, have discovered the philosopher's stone of productivity. They can go on turning out more goods with fewer people for ever.

Perhaps. But the argument would be more persuasive if management were not being offered an extra incentive for job cuts in the form of rising stock prices and consequent bonuses. In such an atmosphere, it would be surprising if excesses did not occur: and the economic upturn, after all, has yet to arrive.

There is also a risk of political backlash. It would not do to take Mr Buchanan's polemics too seriously. But two Democratic senators, Messrs Daschle and Bingaman, are shortly to propose tax breaks for so-called responsible corporations. To qualify, companies would have to sign agreements to curb job losses, spend a given amount on employee training and hire half their new staff within the US.

At the extreme, a backlash could also take the form of higher top tax rates on salaries and investment income. This would be a satisfying form of populist revenge against the executives who have slashed jobs while raising their pay.

These issues, of course, go deeper than mere stock market behaviour. But if investors give an uncritical welcome to job cuts – and companies announce them with fanfare accordingly – it serves to make a bad situation worse. Wall Street in short, can have real world consequences.

COMMODITIES Richard Mooney

Zinc trade under a shadow

Persistent excessive stock levels in the world zinc market are likely to cast a shadow over the American Zinc Association's five-day annual international conference, which began in Palm Springs yesterday.

London Metal Exchange warehouse stocks of zinc have nearly halved from the level reached late in 1994 and are continuing to fall, but levels will still be sufficient to cap major price rallies in the first half of this year, industry observers told the Reuters news agency last week.

"The stock accumulation from 1992 to 1994 was such that it has left a huge overhang," said Angus MacMillan of Billiton Metals. "The draw-down will not be sufficient this year to support much of an upward move in prices."

"I think prices will be on a gradual upward path, but it won't be dramatic because of stock levels," said another analyst.

"The picture is not all bad, and I think most producers would agree," said an executive at a leading European producer. "There are a lot of long term contracts on the books, although spot business has been a bit difficult in the past few months."

At the conference, entitled "The Health of Zinc", delegates will hear papers by producers, consumers, banks and analysts.

● Also beginning yesterday was the four-day US National Eastern Mining Conference in Denver.

Other events this week include the French National Farm Fair, which starts in Paris today and concludes on Sunday. Today also sees the launch in Johannesburg by the South African Futures Exchange (Safex) of white and yellow maize futures.

Tomorrow, New York will be the venue for the first launch of CPM's silver survey and gold market briefing, which will be repeated in Mexico on Thursday, in London on March 5 and in Australia on March 14.

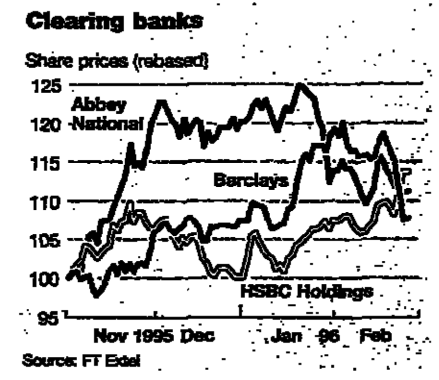
In Pretoria on Friday the two-day South African Government Mineral Policy Workshop will begin.

Company news

Abbey National final expected to be generous

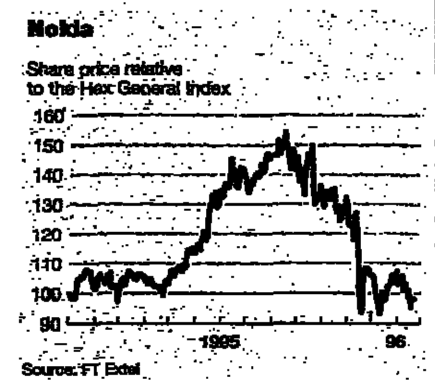
Abbey National reports 1995 annual results today. After a particularly strong second half the home loans and banking group is forecast to make pre-tax profits of £1bn-£1.04bn, up from £962m last time. The solid increase should stem from a decline in bad debts and steady growth in pre-provision profits. The group is expected to unveil a handsome dividend. A final payout of about 22p would represent a 24 per cent rise on 1994.

Clearing banks



Source: FT Extel

Nokia



Source: FT Extel

■ **UK banks**: The main British banks end their reporting season this week, beginning with HSBC Holdings today. Estimates for pre-tax profits range from £3.45bn to £3.55bn, up from £3.17bn in 1994. Much of the buoyancy comes from HSBC's Asian operations, including Hongkong and Shanghai Banking and Hang Seng Bank. HSBC's UK subsidiary, Midland Bank, is likely to have provided for some of its estimated £300m exposure to Eurotunnel. Attention will focus on HSBC's plans for Midland.

Barclays will be the last of the English high street banks to report. Most analysts predict it to report tomorrow an advance from last year's £1.86bn to about £2.1bn. But operating profits are expected to remain relatively flat, and some forecasts project a pre-tax profits decline. The company may also announce plans for a share buy-back.

Standard Chartered's pre-tax profits on Wednesday are expected, to advance by 25 per cent or more from 1994's £510m, with a hefty dividend increase predicted. Although many banks eye Standard Chartered's Asia-Pacific franchise enviously, its share price has proved expensive enough to deter bidders.

■ **General Accident**: May be the first composite insurer this reporting season to report a fall in profits as the downturn in the UK insurance cycle, and bad weather, take effect. The Perth-based group is expected to report tomorrow that 1995 operating profits slipped from the previous year's restated £434m. Royal Insurance said last week December's freeze cost it £40m and the impact on GA is expected to have been similar.

■ **George Wimpey**: The building company will unveil disappointing results tomorrow. It has warned that its pre-tax profits for 1995 will be no lower than £15.5m, against £45.1m. Flat construction and housing markets, and restructuring costs, are to blame.

However, Wimpey has swapped its quarries and contracting businesses for Tarmac's house building division, and analysts expect the new focus on Wimpey's traditional strengths to lift the company in 1996. Also, January figures suggest the housing market may be recovering.

■ **BICC**: The cables and constructions group is expected to report pre-exceptional full-year profits of £110m on Wednesday. After restructuring charges and losses on disposal, however, analysts expect it to incur a pre-tax loss of about £48m, against profits of £131m previously.

■ **Associated British Ports**: The privatised ports operator is expected to announce growth of 11 per cent in 1995 profits on Wednesday. Analysts have pencilled in a full-year figure of about £89m, compared with the previous year's £80.3m. Earnings per share of 17.8p (16.4p) are forecast. The core port operations, particularly at Southampton and the Humber, are thought to have been the driving force behind the growth in profits.

■ **Willis Corroon**: The insurance broker is expected on Thursday to report pre-tax profits of about £80m for 1995. Willis took a £49m exceptional charge for reorganisation in 1994 and the latest figures should restore profits to roughly 1993 levels.

■ **Nokia**: Investors will be watching anxiously when the Finnish mobile phones group publishes its 1995 results on Wednesday. The star of the Helsinki bourse for the past three years has warned of setbacks in the last part of the year.

Analysts are expecting profits in the last four months to have fallen from FM1.7bn in 1994 to FM1.5bn (£226m). Full-year profits are expected to be ahead by a respectable 28 per cent at FM5.1bn – but that is well below the FM5.9bn which the market had been expecting before the company's warning.

■ **British Aerospace**: Will report full-year profits before exceptional items of about £330m on Thursday, up from £186m in 1994, underlining the continuing recovery in the company's fortunes. Exceptional interest charges on aircraft leases are likely to cut the total by about £20m and there will also be a £26m write-off for the company's investment in the Burwood House property venture with Asda.

Restructuring of BAe's turbo-prop aircraft business is also likely to cost £40m, bringing the final pre-tax profit down to about £229m. Dividends for the year are likely to be 12.5p, up from 10p.

■ **Lasmo**: One of the UK's biggest independent explorers and the subject of recent takeover speculation, reports on Thursday. Broker BZW expects net income of £34m, against £3m loss in 1994.

■ **Gencor**: The widespread restructuring at the South African mining and industrial group, will come under the spotlight when interim results are posted tomorrow. The Sanlam-controlled group has disposed of marginal gold mines and expanded its share of the metals and related commodities industry.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

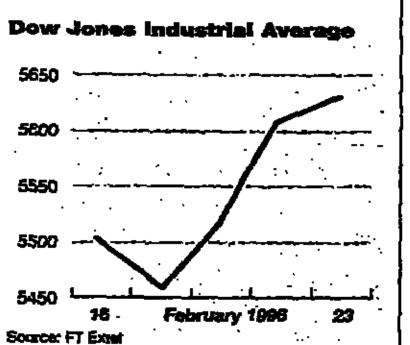
NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY FEBRUARY 23 1996 US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY FEBRUARY 22 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	198.22	3.3	188.86	130.08	148.05	172.47	1.5	3.88	194.85	187.01	129.22	146.90	171.76	200.32	158.79	162.20
Austria (26)	189.67	8.7	182.56	125.74	143.11	142.98	10.2	1.51	186.55	179.22	123.84	140.78	140.65	199.28	168.11	181.75
Belgium (34)	211.27	1.0	203.35	140.06	159.41	155.57	2.5	3.39	208.49	200.30	138.41	157.34	153.53	215.81	172.88	173.23
Brazil (28)	164.74	19.4	158.56	109.21	124.30	297.75	20.7	1.55	163.24	156.83	108.37	123.19	295.04	170.25	86.08	126.43
Canada (101)	154.51	4.1	148.71	102.43	116.58	154.08	5.1	2.44	155.35	149.25	103.13	117.24	154.72	158.71	125.54	128.61
Denmark (33)	304.21	5.3	292.80	201.67	229.53	232.16	6.7	1.62	301.82	290.06	200.43	227.85	230.55	304.88	252.41	259.80
Finland (24)	187.99	0.5	180.94	124.62	141.84	177.82	4.3	1.80	183.76	176.54	121.99	138.68	173.89	276.11	171.13	183.34
France (98)	189.17	5.4	182.07	125.40	142.73	147.95	7.5	3.14	186.25	178.94	123.64	140.56	146.01	191.17	161.53	165.86
Germany (60)	173.35	5.9	166.85	114.82	130.80	130.80	7.4	1.85	171.23	164.51	113.67	129.23	129.23	173.35	142.25	150.38
Hong Kong (59)	443.06	14.3	426.44	293.71	334.29	439.84	14.3	3.22	440.70	423.39	292.56	332.58	437.54	451.19	323.87	324.04
Ireland (16)	259.84	1.7	250.10	172.26	198.05	230.59	2.7	3.43	257.02	246.92	170.82	193.97	228.01	282.70	205.44	215.27
Italy (59)	74.79	1.5	71.98	49.58	56.43	87.17	-0.2	1.71	73.14	70.28	48.55	55.19	85.73	82.71	65.45	74.74
Japan (482)	150.73	-2.7	145.07	99.92	113.73	99.92	-1.1	0.76	151.01	145.08	100.25	113.97	100.25	164.82	136.95	143.49
Malaysia (107)	525.27	8.3	505.57	348.21	396.32	516.67	8.9	1.62	525.56	504.93	348.90	396.63	518.67	561.96	425.77	473.33
Mexico (18)	1148.97	10.9	1105.88	761.68	866.91	9440.54	8.2	1.47	1142.41	1097.53	758.38	862.14	9421.60	1237.14	647.81	889.48
Netherland (19)	282.13	3.5	271.55	187.03	212.87	209.33	4.9	3.20	280.12	269.11	185.95	211.39	207.88	283.23	225.09	227.30
New Zealand (13)	81.23	2.0	78.18	53.85	61.29	63.77	-1.4	4.57	79.75	76.61	52.94	60.18	62.75	85.49	72.39	72.92
Norway (33)	242.89	5.0	233.78	161.02	183.26	208.94	5.3	2.19	241.86	232.35	160.55	182.52	208.24	243.79	202.76	211.14
Singapore (44)	456.05	12.0	438.95	302.33	344.10	296.01	11.5	1.36	456.24	438.32	302.87	344.31	295.78	465.21	346.10	346.36
South Africa (45)	397.52	3.2	382.61	263.53	299.94	334.95	8.1	3.56	392.76	377.33	260.73	296.40	333.94	437.76	303.31	307.23
Spain (37)	175.13	6.0	168.56	116.10	132.14	162.20	6.8	3.70	175.20	168.32	116.31	132.22	162.31	175.20	124.10	133.67
Sweden (47)	338.14	8.3	325.48	224.16	255.13	338.40	9.9	2.11	331.55	318.53	220.10	250.21	331.13	338.14	232.23	245.02
Switzerland (39)	230.95	-2.1	222.28	153.10	174.25	168.79	0.3	1.58	227.95	219.00	151.32	172.03	167.11	239.55	171.70	172.28
Thailand (46)	184.22	9.5	177.31	122.12	138.99	180.21	9.5	1.97	185.90	178.59	123.41	140.29	181.94	193.95	130.15	146.17
United Kingdom (205)	232.67	0.8	223.94	154.24	175.55	223.94	1.7	4.04	233.01	223.85	154.66	175.84	223.85	235.60	192.74	196.68
USA (631)	269.06	7.1	258.97	178.37	203.01	269.06	7.1	2.15	268.92	258.25	178.45	202.87	268.82	269.11	197.20	199.36
Americas (778)	245.29	7.1	236.09	162.61	185.07	208.22	7.1	2.15	245.09	235.46	162.70	184.96	206.05	245.54	180.00	182.67
Europe (730)	206.25	2.7	198.51	136.73	155.62	176.53	3.9	2.99	204.65	196.61	135.86	154.44	175.25	206.25	169.63	172.87
Nordic (137)	293.45	6.4	282.44	194.54	221.41	252.48	8.0	2.00	288.72	277.38	191.67	217.89	249.04	295.02	222.22	232.84
Pacific Basin (832)	164.28	-0.6	158.12	108.81	123.95	112.14	0.7	1.18	164.40	157.94	109.14	124.07	112.37	171.87	145.95	151.58
Euro-Pacific (1562)	181.67	0.9	174.85	120.43	137.07	136.55	2.2	2.04	181.07	173.95	120.20	136.65	136.22	183.38	156.37	160.35
North America (732)	262.01	7.0	252.18	173.69	197.89	261.40	7.0	2.16	261.82	251.54	173.81	197.59	261.20	262.26	192.77	194.87
Europe Ex. UK (525)	187.07	3.7	180.05	124.01	141.14	149.87	5.1	2.41	184.67	177.41	122.58	139.39	148.20	187.07	152.92	158.05
Pacific Ex. Japan (350)	289.11	9.3	278.26	191.88	218.13	253.52	8.7	2.80	287.89	276.58	191.11	217.26	252.67	292.89	228.25	231.05
World Ex. US (1784)	183.12	1.2	176.25	121.39	138.16	140.86	2.5	2.07	182.51	175.34	121.16	137.73	140.53	184.71	158.72	160.69
World Ex. UK (2180)	207.47	4.0	199.68	137.53	156.53	173.10	4.8	1.91	206.92	198.79	137.36	156.15	172.78	207.64	165.82	169.93
World Ex. Japan (1903)	242.17	5.7	233.06	160.54	182.72	227.45	6.2	2.50	241.32	231.84	160.20	182.11	226.73	242.17	187.55	189.23
The World Index (2385)	209.73	3.7	201.88	139.03	158.24	177.74	4.5	2.10	209.25	201.03	138.91	157.91	177.44	209.73	169.20	[illegible]

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 23/2/96: Deletion: CarnaudMetalbox (France) and Skellerup Group (New Zealand). Market closed 23/2/96: Malaysia.

EQUITY MARKETS: This Week

NEW YORK
Lisa Bransten

Delayed data could ease uncertainty



For a week in which the Dow Jones Industrial Average soared by nearly 200 points, last week was certainly a scary one. The Dow opened the holiday-shortened week with a 45-point loss and then gyrated through the remaining three sessions as investors assessed and reassessed their outlook on the economy and interest rates.

This week's wave of economic data should go some way toward eliminating the economic uncertainty that exists, in part because the government is still struggling to catch up with figures that were not released during the recent shutdown.

Among the most important figures will be tomorrow's data on retail sales. *A lingering question for the market is* whether consumer spending can rise fast enough to give a boost to the sluggish economy.

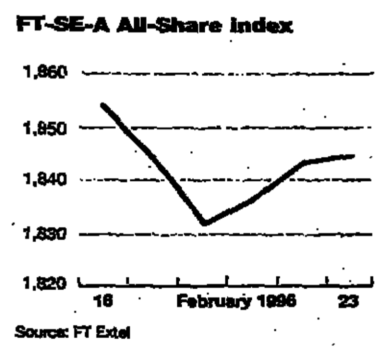
Economists, for the most part, are betting that consumers were not active enough *in January to spark the* economy. The mean estimate has retail sales falling by 0.3 per cent, while analysts are looking for flat sales, excluding volatile car components.

Economists are looking for a 0.4 per cent rise in the producer price index and a 0.3 per cent gain in the consumer price index.

Although such relative strength could be worrisome in the increasingly bearish environment of the bond market, stocks may well be able to shrug off declines in the bond market as they did for much of last week.

LONDON
Philip Coggan

Caution likely ahead of Scott debate result



The Scott report debate today promises a nervous start to the week for the market. While traders expect the government to survive the furore, the latest political defection will make investors cautious about committing money before the result is known.

Politics aside, the main domestic focus will be on the results season. Last week's slew of figures did not contain any nasty surprises but there will be plenty to analyse this week.

Numbers are due from Abbey National, Associated British Ports, Barclays, BICC, British Aerospace, General Accident, HSBC Holdings, Lasmo, and Standard Chartered.

Sluggish world-wide economic growth is expected to have resulted in a slower pace of earnings growth for much of the UK corporate sector.

But given the volatility that has characterised international financial markets recently – notably Tuesday's two-point fall in US Treasuries and Thursday's 90 point rise in the Dow Jones Industrial Average – domestic developments may well prove secondary to events elsewhere.

A wave of liquidity is sloshing round the world in the wake of interest rate cuts in the US and Europe and very low rates in Japan, and the result has been some sharp market movements.

London, perhaps because of political and earnings worries, has yet to be the beneficiary of the flow this year – but could be a casualty of other markets' disruption.

International offerings

Sense of urgency sparks a build-up of issuance

A sense of urgency has crept into the primary equity market. After a slow start to 1996 – the only notable offering in January was the sale of more stock in the oil and gas company Repsol by the Spanish government – a mountain of issuance has built up.

As in 1995, virtually every government in Europe, including Scandinavia, is seeking to privatise state-owned assets, including those withdrawn last year because of a lack of demand. For example, Austria is trying again to sell stock in specialty steel producer Böhler-Uddeholm.

Supply from the corporate sector is also buoyant, with offerings expected from Orange, the UK mobile phone company, Scania, Sweden's heavy truck manufacturer, and Grupo Sol, the Spanish hotels company.

Salomon Brothers estimates that primary equity issuance in Europe could reach $6bn in the first quarter, $20bn in the second, $25bn in the third and $30bn in the final quarter, assuming Deutsche Telecom's initial public offering happens as planned in November.

However, political factors, particularly in Italy, and investor indigestion could result in lower volumes than forecast.

Bankers are encouraging potential issuers of equity to come to the market sooner rather than later to take advantage of the liquidity.

There is evidence that US investors are again looking at European and emerging markets after concentrating on their domestic market for most of 1995. US mutual fund industry data show that cash flows out of domestic and into international funds are running at about $1bn a week, a level not seen since 1993.

The main concern for issuers of equity is that if they do not move fast, the liquidity will be soaked up by rival offerings.

"The pressure is on to get deals done before the summer," said one syndicate manager. "If there is a choice to delay or execute with some anxiety, issuers are choosing the latter."

Scania's approach to its flotation could be held up as a model for future issuers. After keeping the market guessing for months about whether the deal would happen (indeed, bankers, perhaps intentionally, sent out signals that the deal was off only one month ago) the company then confirmed that it would go public, following up swiftly with the deal's timetable and structure.

The Spanish government has also taken the fast track with its privatisations. Flush with the success of the Repsol offering, it has proceeded quickly to the third sale of stock in Argentaria, the banking group, despite the fact that it will coincide with the country's general elections.

By contrast, the momentum behind the Orange flotation appears to have peaked too early and some say the drawn-out process may have allowed investors to ponder too long on the company's estimated valuations. "There has been too much airtime on Orange," says one banker.

Orange's camp rejects such suggestions, saying investors needed that time to get to know the company. "In October, the level of knowledge about Orange was zero; now the market understands it a lot better," says one adviser.

With the priority on speed, or at least getting issues away before Deutsche Telecom blocks the runway, it is likely that other important factors needed for a successful offering, such as careful pricing and a cohesive syndicate, will be sacrificed.

It will come as no great surprise, therefore, if some issues stumble as they race to market.

Antonia Sharpe

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Gehe (Germany)	Lloyds Chemists (UK)	Pharmaceuticals distribution	£650m	All-cash bid raised
Carnival Corp (US)	Airtours (UK)	Travel	£202m	Stake details finalised
Fairfax Financial (Canada)	Unit of Skandia (Sweden)	Insurance	£190m	Skandia exits US reinsurance
Itochu Corp (Japan)	NCA (Australia)	Coal	£98m	Buying Agip's 25%
Chiron (US)	Unit of Hoechst (Germany)	Biotechnology	£77m	Initial 49% stake
Advent International (US)	Docter-Optik (Germany)	Industrial optics	£8m	Venture capital buy
Polypipe (UK)	Méridionale des Plastiques (France)	Building products	£2.5m	Deferred element
Stratton Group (US)	AOOT Segezhabumprom (Russia)	Paper	n/a	Controlling stake
ING (N'lands)	Dunabank (Hungary)	Banking	n/a	Buying assets & business
Zeneca (UK)/Sulker Unie (N'lands)	JV	Horticulture	n/a	Zeneca spins off seeds

OTHER MARKETS

FRANKFURT

With last week's weakness in *bonds reversed by lower than* expected money supply growth figures, and strength in equities surfing on Wall Street's performance, next *week will be an intriguing one* for German equity strategists.

The Bundesbank meets on Thursday. Last Friday, an M3 expansion growth rate of 8.4 per cent against some fears of between 15 and 20 per cent had pundits saying the Buba had its options wide open so far as further interest rate cuts were concerned.

However, the other side of the inflation coin, CPI figures *from the German länder*, could affect the issue in the early days of this week.

Meanwhile, SAP, the computer software group *whose preference shares put* up a phenomenal performance in 1994 and 1995, will face a New York analysts' symposium today and tomorrow.

Ms Jadwiga Bobrowska, an analyst at Merck Finck in Düsseldorf, *expects* little in the way of news here; but the company raised its dividend by 50 per cent just over a week ago and this, she says, was a *positive signal for the future.*

AMSTERDAM

The Dutch market will be faced with corporate results *from a mix of cyclical and* financial stocks this week, with the chemical groups, Akzo Nobel and DSM, and ABN Amro Bank all scheduled *to release 1995* profit figures, *writes Ronald van de Krol.*

DSM, which has said already that 1995 profits roughly doubled, soared last week on news that the government planned to sell two-thirds of its 31 per cent stake to Dutch banks and insurers in the *form* of cumulative preference shares.

The structure of this planned transaction is designed to *boost profit per share available* to the existing holders of ordinary shares, and this caused DSM shares to rise by Fl 10 from Tuesday's close, to *around Fl 155.00 on Friday. The* results, due on Thursday, are not expected to bring further sharp share price gains.

Financial stocks like ABN Amro have benefited from the steady downward trend in interest rates, but this may be *coming to an end.*

Theodoor Gilissen Bankiers in Amsterdam says financial stocks should be given only limited space in an investment portfolio in 1996.

Instead of recommending either cyclicals or financials to long-term investors, it favours steady growth stocks such as Ahold, Elsevier, Heineken, Nutricia, Unilever and Wolters Kluwer.

PARIS

French equities closed last week in positive territory, *largely as a result of the US* market's strength, *writes John Pitt.* But there were fears in some quarters that the government's announcement *of a shake-up in the defence* sector would exert a negative influence in the coming weeks.

While the strategy to dispose of Thomson SA in one lot, *either through privatisation or*, more likely, through the sale to an industrial partner, has found critics already, the wider implications extend to job *losses throughout the defence* industry, in an environment already shouldering a high unemployment rate.

On the corporate front, this week sees another busy results timetable, with figures due from Legrand today, Ciments *Français tomorrow and* Paribas on Wednesday.

In addition, economic data likely to impact on equities include household consumption figures and January unemployment, which most analysts expect to show an increase month-on-month.

HONG KONG

Investors will focus today on results from the colony's two biggest banking groups, HSBC *Holdings* and Hang Seng Bank, to set the tone for trading, *writes Louise Lucas.*

Expectations for earnings have been enhanced by the robust performance put in by Bank of East Asia, the colony's third biggest listed bank, and if this is followed through in today's results it could prove a bigger boost to the sector.

The reporting season is well under way, and corporate *earnings are likely to influence* market performance throughout. Also reporting final results will be Hongkong and Shanghai Hotels and *Hongkong and China Gas.*

Overall, corporate earnings are expected to grow by some 15 per cent. Elsewhere, the outlook for lower interest rates has been clouded by comments from US Federal Reserve chairman Mr Alan Greenspan.

Cuts in US interest rates generally feed through to Hong Kong via the currency peg, and speculation of a reduction had helped drive share prices *higher earlier in the month.*

TOKYO

A seven-day losing streak for the Nikkei average, the longest consecutive *string of losing* sessions since January 1995, had wiped nearly 650 points off the barometer index by the end of last week, giving a sobering *reminder* of the chronic weakness of investor confidence in the Tokyo market, *writes Gwen Robinson.*

Wall Street's rally last *Thursday, together* with signals from the US authorities of continuing easy monetary policy, *failed to shake Tokyo's* inertia.

On the contrary, domestic institutional investors – banks, in particular – continued *dumping shares while foreign* buying remained thin.

All eyes now are on the public fund managers, who have stayed conspicuously on *the sidelines or in selling* positions.

What they do, if the market continues to slide, will tell other participants whether the government *is making good on* hints dropped last week by Tokyo stock exchange officials: that *it will intervene to* prevent the Nikkei average slipping back below the 20,000 level.

Compiled by William Cochrane

EMERGING MARKETS: This Week

The Emerging Investor / **Mark Ashurst in Johannesburg**

Drama spurs reform calls

The timing of the visit by Mr Hans Tietmeyer, the Bundesbank president, to South Africa last week was intended to add *gravitas to the reserve bank's* calls for fiscal discipline ahead of the March 13 budget, then Dr Chris Stals, its governor, need not have bothered to invite him.

Mr Tietmeyer's arrival was eclipsed by the dramatic collapse of the rand, and the swift exodus of an estimated R1bn in *foreign investment from the* Johannesburg debt market. The drama marks an end to the extended honeymoon that has sustained the currency *since the abolition of the* Financial Rand last March and provides a graphic illustration of Dr Stals' oft-repeated warnings about the fickleness of the *surging capital inflows.*

These have increased fourfold since 1994, the year of the first democratic election, and last year topped R20bn. Last week *the rand fell victim* to what one banker described as "almost hysterical volatility" in the currency market. After trading around R3.65 to the *dollar for the past* eleven months, it dived to record lows of R4.04, before stabilising around R3.89 late in the week.

The equity market was largely shielded from the fall because of its poor liquidity and thin trade. The greatest impact was in the debt market, where yields on the benchmark R150 12 per cent bond peaked at 14.95 on Wednesday, their *highest level since last October*. Sales by non-residents mushroomed by more than 45 times from R30m on Tuesday to R925m on Wednesday as investors suffered intermittent panic attacks.

For traders raised in the relative insularity of South Africa's traditionally protected money markets, it was a sobering week. *Dealers reassured by* Dr Stals' forecasts, as recently as February 12, that rand exchange rates would remain stable in 1996, were confronted with the relative impotence of the reserve bank in a floating money market where daily *trade averages* $70bn a day.

"In a developing nation that *is re-integrating into the global* economy so fast, something like this was bound to happen sooner or later," commented Mr David Darosa, at Swiss Bank Corporation in New York. "In many ways the rand behaved like the Mexican peso: it was a victim of speculative trading. In a situation of long *rands and short yen, with a* 15 per cent interest rate differential between two stable currencies, you expect some sharp adjustments."

The downward pressure on currencies in the emerging markets of East Asia, generally viewed as rivals to Johannesburg, tends to support the view *that the rand's* collapse was an attempt by global market makers to exploit *disparities* in interest rates.

By Friday, however, analysts had begun to dismiss comparisons with Mexico, citing a rally *in the gilts market and a drop* of 42 basis points in the benchmark R150 bond as evidence that the local economy was on *a firm footing.*

The turmoil has injected new fervour into the perennial debate over the future of exchange controls – which the *reserve bank* and the government have pledged to abolish. Official assurances that an easing of the controls was imminent are widely believed to have precipitated the rand's demise. Union Bank of Switzerland, which reported previously that the rand was overvalued by between 7 and 10 per *cent against the dollar*, said on Thursday it did not expect the rand to weaken further.

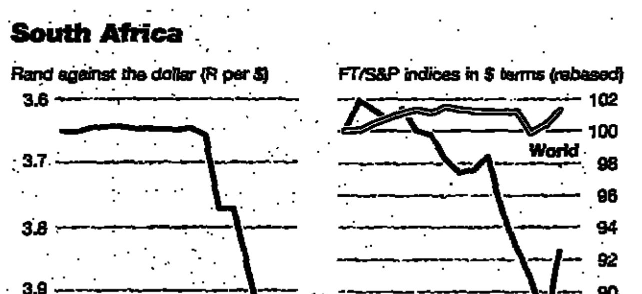
Industrial counters rallied in tandem with improvements in *the bond market; Iscor*, the steel producer, traded 28.3m shares worth R95.7m in 180 deals on Thursday.

A further boost in confidence *is expected when the Johannesburg exchange*, the world's tenth largest by market capitalisation, embarks on a three-month transition to screen-based trading on March 8.

The move is the latest in a series of reforms intended to attract foreign interest and improve liquidity – the single biggest disincentive to foreign investors considering a *position in South Africa*. About 7 per cent of equities are available for trade, while almost 80 per cent of stocks are held by the five biggest conglomerates and are rarely traded.

The crucial issue remains the easing of exchange controls, which would improve liquidity by enabling the *biggest institutions to restructure* their portfolios and invest some profits offshore. This would also reduce stock prices, which are high in comparison to other *emerging markets:* current p/e ratios are 20 to 30 times higher than prospective 1996 earnings. According to Mr Barton Biggs, an analyst with Morgan Stanley, the ratio makes "no allowance for the country risk or other disappointments."

Economists have raised inflation forecasts for the year by 0.5 of a percentage point to 7.5 *per cent. The risk of inflationary* pressures caused by the weaker rand is keenly felt by the government, which last month announced it would not meet this year's budget deficit target of 5.8 per cent of GNP.



The rand's sensitivity to further capital outflows will be the principal criterion in *timing the further relaxation of* controls.

"It is a small currency, and the market is liquid at the best of times," observed one *currency trader. Proponents of a* big bang approach to abolition argue that the week's events have strengthened the case for immediate relaxation of exchange controls.

"This is the wrong time to be *cautious. For as long as there* is any form of capital control, any mention of any kind of change makes the likelihood of destabilising fluctuations *much greater," warned Mr Darosa.*

Although the currency has stabilised, the rush of foreign currency purchases from importers alarmed by its collapse may not be over and there is a risk of continued *downward* pressure *on the* rand in the run-up to this year's budget. Dr Stals and Mr Chris Liebenberg, the finance minister, will also be conscious *that, in spite of efforts to bury* the link between South Africa and political risk, investors are highly sensitive to the health of the 77 year-old president. In *a sense, traditional concerns* over political risk have been superseded by worries over what could more accurately be termed personality risk. Although Mr Mandela's colleagues in the African National Congress-dominated cabinet, including his most likely successor, deputy-president Thabo *Mbeki, share his commitment* to fiscal discipline they have yet to win the confidence of international investors.

Battered traders seeking to *restore their confidence* will take their cue from gold in the weeks ahead. Last week, the early stages of the rand's collapse were compounded by an *end to a spate of speculative* gold trading as bullion slipped below the benchmark $400 an ounce level. The weaker rand has renewed support for the metal, in anticipation of increased demand from foreign buyers.

Analysts cited the improved earnings of the Mexican gold sector in the wake of the 1994 peso devaluation as grounds *for bullishness. "The good* news is tempered only by the tendency of South African mines to commit in the forward sales market," said one analyst. "It takes a bit of the shine off."

Cyprus pauses after its frenzy

By Kerin Hope in Athens

This month's frenzied trading on the Cyprus stock exchange was triggered by small investors, who are now outpacing *the Greek and UK institutions* that helped to launch the market's bull run last year.

To the relief of Nicosia's overworked stockbrokers, the market took a breather last week. The Cisco all-share index closed at 505 on Thursday, down 3.1 per cent from an all-time high of 521.7 two weeks ago. Because of the heavy volume of trading, Friday's session was cancelled.

A spate of mergers and acquisitions in the *Mediterranean island's insurance* and retailing sectors sent share prices soaring. A one-for-10 bonus issue by Bank of Cyprus, the leading blue-chip stock, added *to the market's* euphoric mood.

Daily trading volume surged last year from about C£500,000 ($100,000) in January to over C£1.5m *in December, as Greek* Cypriot investors switched *funds from savings deposits* into equities. This month volume doubled again to over C£3m daily.

The latest rise came with the *announcement* by Hellenic Bank, the island's third-largest, that it was acquiring the local operations of Barclays Bank in Cyprus. Hellenic reportedly paid C£12m for the the UK bank's branch network on Cyprus, raising its share in the fiercely competitive market to about 14 per cent.

The takeover of Zako, a listed chain store, by F.W. Woolworth, the island's largest *retailer, took the market* by surprise, with shares in both companies jumping when the deal was made public.

Ms Maria Jacovidou of Cyprus Investment and Securities Corporation says: "Small investors have finally discovered the stock exchange. At the same time, regulatory changes have made it *easier* for overseas investors to join the market."

Under the government's policy of gradually opening *Cyprus to foreign investment*, overseas shareholders may now hold up to 30 per cent of listed companies' equity. Local stockbrokers estimate that *foreign investors, mainly from* Greece and the UK, now account for more than 10 per cent of daily transactions.

With the average price earnings ratio at around 15, the market still has room for growth, according to local brokers. Liquidity remains adequate, though only some 20 of the island's 44 listed companies are actively traded.

Analysts expect share prices to consolidate further during the next few weeks, but forecast another rise in April when the informal over-the-counter market *is transformed into an* official stock exchange.

CURRENCY MARKETS
Philip Gawith

Dollar faces a mixed outlook

Last week was a poor one for the dollar. Four successive days of intervention from the Bank of Japan had a negligible *impact.*

Much more of this and investors will be forced to reassess the bullish scenario for the dollar, which is still the dominant *market view.*

The starting point for the dollar this week will be the feedback from the first meeting, held last Friday, between President Clinton and Mr Ryutaro Hashimoto, the Japanese prime minister. Good relations *will help the dollar, while tensions* are likely to weigh on it.

The first quarter *Tankan* survey will be closely watched, in case it lends any weight to recent fears that Japanese interest rates might rise sooner than was *previously expected.*

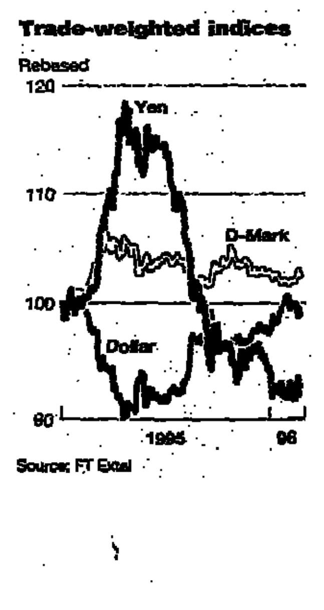
Another factor will be the Bank of Japan. *Repeated*, unsuccessful intervention, runs the risk of being ignored by *the markets.* Indeed, it can actually sour the mood further. On the other hand, traders will *be wary of the Federal Reserve* and Bundesbank joining in.

Also important *for the dollar* will be the plethora of data releases due in the US and Europe. The dollar's rally during the latter part of January *was fuelled in part by the view* that European growth was slowing sharply, which would push interest rates lower.

German inflation data will *provide the backdrop to the* Bundesbank council meeting on Thursday, where there is little expectation of a cut in rates. Arguably more important *for markets will be the* French GDP and unemployment figures.

Weak data will confirm suspicions that growth is slowing, making it less likely that France will meet the Maastricht convergence criteria. If *such news casts renewed doubt* on the prospects for a single currency, it will probably boost the D-Mark.

The pound will also be in focus today as parliament debates the Scott report. A defeat for the government would be sure to jangle foreign investor nerves. Eyes will also be *on the South African rand*, which bounced back at the end of last week after earlier falling by 9 per cent in four trading days.



ING Baring Securities Emerging Markets Indices

Index	23/2/96	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (395)	157.62	-1.07	-0.67	-1.69	-1.06	+10.08	+6.82
Latin America							
Argentina (22)	94.51	-3.05	-3.13	-7.02	-6.91	+1.53	+1.97
Brazil (23)	220.19	-2.18	-0.98	+11.76	+5.64	+34.09	+10.32
Chile (16)	183.31	+3.21	+1.78	-6.84	-3.60	+12.35	-6.31
Colombia (14)	166.06	-1.59	-0.96	+12.96	+8.47	+1.84	+1.12
Mexico (23)	79.00	+1.09	+1.39	-4.70	-5.61	+5.41	+7.35
Peru (14)	1,128.60	-39.58	-3.39	+17.82	+1.60	+56.65	+5.58
Latin America (112)	133.22	-0.65	-0.49	-0.88	-0.64	+10.08	+8.18
Europe							
Greece (18)	107.63	+1.06	+1.00	+1.81	+1.71	+9.66	+9.86
Portugal (20)	129.13	+2.77	+2.19	+4.89	+3.94	+12.67	+10.86
Turkey (28)	104.42	-0.73	-0.69	+2.30	+2.25	+21.82	+26.12
South Africa (32)	159.10	-3.55	-2.18	-13.90	-8.03	+5.73	+3.73
Europe (98)	129.22	-1.79	-1.37	-7.55	-5.52	+7.69	+6.33
Asia							
China (24)	49.44	+0.14	+0.29	+1.85	+3.88	+9.11	+22.60
Indonesia (32)	155.68	-0.74	-0.48	+0.27	+0.17	+17.04	+12.29
Korea (23)	134.39	-0.09	-0.06	+8.16	+4.81	-2.52	-1.84
Malaysia (24)	243.68	-0.05	-0.02	+4.05	+1.69	+16.32	+7.18
Pakistan (14)	98.17	+0.08	+0.08	+23.86	+31.69	+25.56	+34.76
Philippines (14)	299.14	-0.20	-0.07	+8.12	+2.79	+39.97	+15.42
Thailand (25)	263.60	-9.75	-3.57	-8.89	-3.26	+11.72	+4.65
Taiwan (81)	125.05	+2.15	+1.75	-2.18	-1.71	-5.78	-4.42
Asia (187)	214.97	-1.07	-0.50	-1.79	+0.84	+11.93	+5.88

All indices in $ terms. January 7th 1992=100. Source: ING Baring Securities.

WORLD BOND MARKETS: This Week

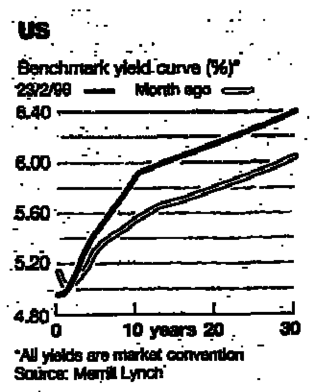
NEW YORK
Maggie Urry

The US bond market has passed a miserable week. By Friday's close, the yield on the long bond had risen above 6.4 per cent. Unsettling the market was the Congressional testimony by Mr Alan Greenspan, chairman of the Federal Reserve.

The market took fright on Tuesday, believing him to have said that economic growth for 1996 would be strong enough without a further interest rate cut. His attempt to clarify his position on Wednesday gave the market only scant comfort.

Mr John Lipsky, chief economist at Salomon Brothers, expects economic data due in the next couple of weeks to be critical to the movement in bond prices.

Statistics such as the PPI, CPI and February employment data, as well as the National Association of Purchasing Management's index, should by now be largely free of distortions created by the government shut-down and the severe January weather.



*All yields are market convention
Source: Merrill Lynch

Lipsky expects the data to be benign for the market, opening the way for further rate cuts.

Tomorrow will see the PPI for January, which is forecast to have risen by 0.2 per cent, excluding food and energy according to MMS International. Wednesday's CPI figure is expected to show a similar rise in the core rate. The February NAPM index, due Friday, is forecast to have risen from January's 44.2 per cent to 46 per cent.

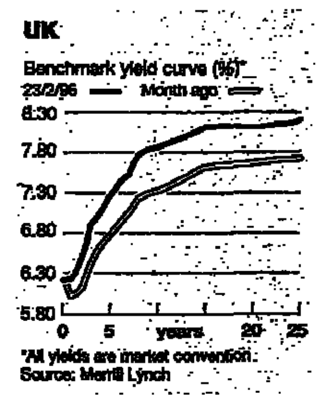
LONDON
Antonia Sharpe

UK gilts are likely to trade nervously today when parliament debates the Scott report into sales of military equipment to Iraq. The nervousness will continue tomorrow if the government loses the motion and is forced to call a vote of confidence.

"The political situation is a big negative factor for gilts," said Mr Don Smith, UK economist at HSBC Markets. Even if the government wins the motion, its reduced majority has increased the risk of holding gilts.

The nervousness should rule out any narrowing in the yield spread between gilts and German government bonds, which at the end of the week stood at about 168 basis points.

Mr Simon Briscoe at Nikko said the second drag on gilts this week is supply. The Bank of England is set to auction £3bn of 25-year 8 per cent gilts on Wednesday. Although Mr Briscoe expects the auction to go well because of the natural demand for very long-dated



*All yields are market convention
Source: Merrill Lynch

paper, it will provoke some discussion about funding in the rest of the year.

There are no important economic data due this week. In any case, data are less likely to influence the market as the political risk grows ahead of the next general election.

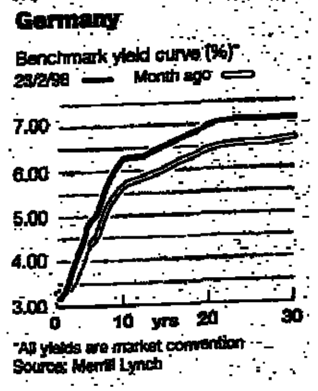
On a brighter note, hopes are high that next week's meeting between the chancellor and the Bank of England governor will produce a quarter-point cut in the base rate to 6 per cent.

FRANKFURT
Andrew Fisher

Bond traders breathed a huge sigh of collective relief when January's M3 figures finally arrived on Friday. Since the Bundesbank had said they would be distorted, because too short a period has elapsed this year for the annualised rate to be meaningful, the outcome of 8.4 per cent (based on the fourth quarter of 1995) was regarded as acceptable. German bond prices thus moved ahead smartly.

The Bundesbank will now wait and see what February brings. The basic M3 trend remains moderate, with January showing only a 3 per cent rise against the last quarter of 1994. With the economy weak and wholesale and producer prices edging lower in January, many economists think a further interest rate cut inevitable.

The M3 data did not remove that expectation. Dresdner Bank said "the fundamental outlook for a further cut in official interest rates is still favourable".



*All yields are market convention
Source: Merrill Lynch

It said the central bank would wait for at least another set of M3 figures before cutting the discount and Lombard rates – now 3 and 5 per cent respectively – again around the end of the first quarter or the start of the second. Mr Julian Jessop, economist at HSBC Markets, said a half-point cut in the discount rate was likely by spring, but Mr Christoph Weil, economist at Commerzbank, said no further rate cuts were likely.

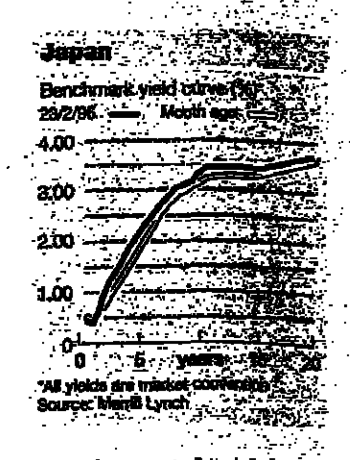
TOKYO
Emiko Terazono

Long-term rates are expected to see further upward pressure this week due to prospects of an economic recovery. Market participants are focusing on the *tankan* – the Bank of Japan's quarterly survey of business sentiment – which will be released on Friday.

Most analysts expect business confidence to have improved, and this could prompt a sell-off in the already fragile market. Industrial production data for January scheduled to be released on Wednesday could also affect investor confidence.

Participants are also increasingly nervous about comments on interest rates by politicians. Worries have spread following a recent observation by Mr Wataru Kubo, the finance minister, of the negative impact of low interest rates on pensioners' income. Remarks last week by Liberal Democratic Party members about interest rates also prompted profit-taking.

At the short end, the Bank of



*All yields are market convention
Source: Merrill Lynch

Japan is expected to try and keep money market rates from rising, but fundraising by banks before the March year end is likely to remain strong, pushing up three-month rates.

Meanwhile, the yen's strength is expected to continue, adding to the upward pressure on rates. The Bank of Japan has been trying to counter yen purchases by US hedge funds by buying dollars and is expected to continue to do so this week.

Government bonds

Gilts could benefit from a delay to Emu

There are just 24 trading days before European heads of government meet on March 29 to review the Maastricht Treaty at the inter-governmental conference (IGC) in Turin. Whatever they say about the process of monetary union will be analysed carefully, and any signal that European monetary union (Emu) might be delayed is likely to produce volatility in European bond markets.

One of the few markets likely to stand aloof from such turbulence could be that of UK government bonds.

An analysis of 10-year swap yield spreads (see table) shows that convergence is not priced in for the UK, which shows a 126 basis points difference against Germany at the scheduled start of Emu in 1999. This suggests investors do not expect the UK, which with Denmark has negotiated an "opt-out" from Emu, to converge with Germany.

As the table shows, it is possible to identify four groups of countries, ranging from those that market pricing suggests are the core and most likely to join Emu, through to the "high-yielding" bond markets, which are least likely to join.

Many analysts would argue that forward rates are not good predictors, particularly because of mathematical effects stemming from the steepness of the German yield curve. But they do allow investors to take a view on the likely fall-out from events and the impact on the bond markets. Convergence is obviously priced into French bonds, which puts that market at risk in the event of a delay to Emu.

However, in the long term, gilts could benefit from any turbulence stemming from a delay in Emu. "The IGC could expose the full horror of the difficulties of Emu and that could leave gilts looking quite attractive," said Mr Kevin Adams, gilt strategist at BZW. "If we get a postponement, or it goes ahead with the peripheral countries excluded, the knee-jerk reaction would be that those countries no longer have the incentive for fiscal austerity, but nothing would have changed in the UK so there might be flows out of those countries into gilts."

SPREADS TO GERMANY

	Feb 15 1996	Jan 4 1999
Core		
Netherlands	–2	–7
Austria	+5	+5
France	+22	–1
Outer-core		
Belgium	+25	+38
Ecu	+70	+57
Ireland	+167	+129
Opt-outs		
Denmark	+103	+107
UK	+162	+126
High-yield		
Finland	+135	+120
Sweden	+269	+243
Italy	+391	+312
Spain	+340	+280
Portugal	+292	+228

Source: Paribas Capital Markets

Nevertheless, despite the prospect of the UK Conservative Party finding it easier to paper over any cracks with its Euro-sceptic wing, gilts would probably suffer in the immediate aftermath of Emu delay.

"There is always a danger in the short term, perhaps on the day of the announcement, that gilts will perform badly because they have this knack of moving in tandem with whichever market is moving the worst," said Mr Simon Briscoe of Nikko Europe.

"But the IGC could prove to be a turning point for gilts. There are very few countries around the world that have reasonably sensible independent policy frameworks with a coherent package of economic measures, and the UK is one of them. I would expect gilts to perform relatively well."

He said the spread over 10-year bunds could tighten from its current level of around 160 basis points to about 120 points within six months, as gilts could benefit from the "safe-haven" argument in an Emu delay, more good news on the economy and inflation, and further interest rate cuts.

A delay to Emu might weaken the resolve of the "high-yielding" countries to adhere to the Maastricht criteria, but Mr Jan Loeys, of J.P. Morgan, said: "The UK's motivation on fiscal and monetary policy has very little to do with Emu, so gilts might be an island of stability for a while."

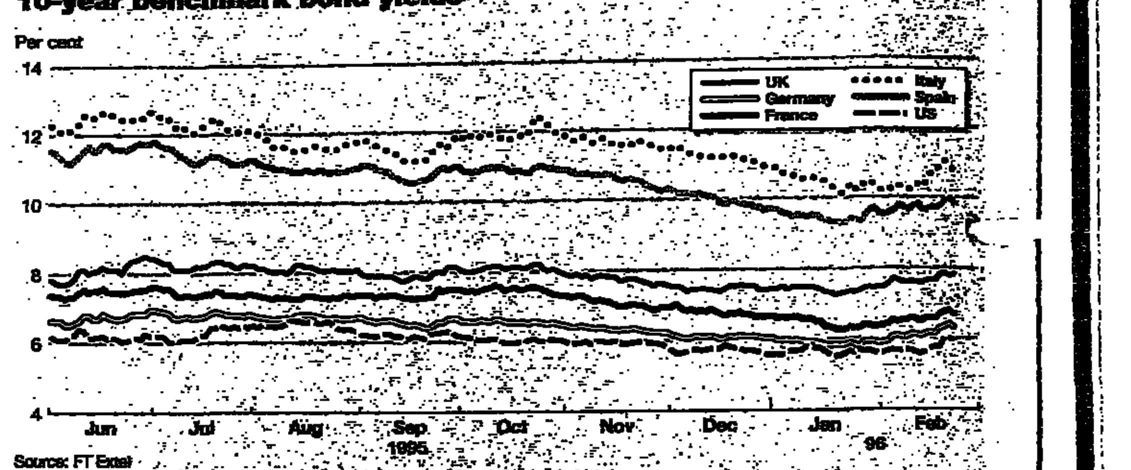
However, investors might be forgiven for thinking more about the impact of the UK general election than about Emu. The last election was fought with the spread of gilts over 10-year bunds at around 200 basis points: spreads of most other European bond markets to Germany have widened since the last election, while gilts have tightened.

Mr Mark Fox of Lehman Brothers, said: "The UK could hit 200 basis points over Germany by the election. The UK is much more expensive to Germany compared with other European bond markets, so the UK is not discounting the timing of the election."

But Mr Briscoe points to the 160 basis points spread over 10-year bunds as evidence that there is a relatively modest political risk in the gilts market. He said: "As I understand it, Labour will not change the policy framework, and the macroeconomic policy will be largely unchanged if the Labour party wins. Domestic politics is less important for the gilts market than the economy and Emu."

Martin Brice

10-year benchmark bond yields



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	[illegible]	[illegible]	3.60	9.00	6.25
Overnight	5.13	[illegible]	[illegible]	4.12	10.00	6.25
Three month	4.97	[illegible]	[illegible]	4.27	9.88	6.09
One year	4.99	[illegible]	[illegible]	4.08	9.50	6.12
Five year	5.50	[illegible]	[illegible]	5.80	10.02	7.32
Ten year	5.84	[illegible]	[illegible]	6.62	10.65	7.87

[illegible]

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116-19	115-27	[illegible]	117-07	115-20	343,766	297,442
Jun	116-04	115-07	[illegible]	116-24	[illegible]	[illegible]	119,841
Sep	115-30	114-25	[illegible]	116-09	[illegible]	372	9,098

International bonds

Globals come under renewed scrutiny

The Inter-American Development Bank's maiden global bond, expected this week, has brought the "global" concept under renewed scrutiny – especially in the light of recent deals which failed to live up to investors' expectations.

Pioneered by the World Bank in 1989, global bonds have been particularly favoured by sovereigns and supranational agencies, although some corporate borrowers also issue them.

What differentiates them from eurobonds is the fact that they are registered with the US Securities and Exchange Commission and can be sold to all classes of US investors; eurobonds cannot be sold into the US initially unless they are registered under SEC Rule 144a, when they may only be sold to qualified institutional investors.

When the global concept was launched, it promised the best of all worlds to issuers and investors alike: being marketed simultaneously to three geographical regions – Europe, the US and Asia – competition for the paper would create price tension which would allow a borrower to achieve a finer pricing than if it were to tap, say, the US domestic Yankee market, as well as establishing a price at which the issue would clear.

The larger pool of buyers was seen to enable borrowers to raise higher volumes of debt and diversify their investor base, while 24-hour trading would ensure liquidity and tight bid-offer spreads, giving the bonds a benchmark status that would further enhance the issuer's profile.

In the media and the markets, global bonds acquired the sort of visibility and cachet of which many issuers could only dream.

"Many borrowers have big egos – they like to be sold the idea of a global which will give them a world-wide presence and raise their profile in the market," said a syndicate manager. "They all want to be like the World Bank."

However, many global bonds haven't lived up to their promise in terms of placement and performance, he said.

"The global bond concept is quite open to abuse and in some cases it's been used as a marketing gimmick. I can count on one hand the number of globals in the last few years that were aggressively sold in the three time zones and are still actively traded there."

For example, the bulk of dollar-denominated asset-backed securities, although nominally global bonds, are usually placed in the US.

Moreover, "some issues are more like dressed-up Yankees", he said, citing Argentina's recent $1bn offering of which some 75 per cent was said to have gone to US investors.

Still, most traders agree that shoddy execution, rather than their global status, is responsible for the poor performances of some bonds.

"If you take account of market conditions and go through the whole roadshow and book-building process, you will still get exceptional results for issuers and investors," said one syndicate head. "It's not so much that people think globals are better than eurobonds – they feel the negotiated process is the best to ensure that an issue will be priced correctly and hold its value."

When it doesn't, investors get disenchanted – as was the case with some recent globals whose performance was further hurt by deteriorating sentiment in the dollar bond market.

While solid pre-marketing got Finland's $1bn 10-year bond off to a strong start, it came under pressure from a flood of supply in the 10-year sector, causing its 36 basis point spread over Treasuries to widen by two points.

Close on its heels, a tightly priced $1.5bn deal for Province of Ontario hit the 10-year sector after little pre-marketing and its spread also widened by two basis points, to 50 points, as a result of over-supply.

Next, Argentina issued $1bn of five-year bonds; having roadshowed only in the US, the issue attracted weak demand elsewhere and soon came in for profit-taking by short-term accounts, causing the spread to widen from 410 basis points at launch to almost 500 points.

"The disappointing performance of a few recent globals may call into question the validity of the global concept," conceded one syndicate manager in London.

Nevertheless, he said: "The concept remains excellent – the only problem is bad execution, which often involves banks telling borrowers what they want to hear in order to get the mandate, and borrowers wanting to believe it."

Meanwhile, the IDB is on track for a successful global issue after a week of international roadshows and investor soundings – unless underlying market developments throw a spanner in the works.

The agency's most inspired decision may have been to appoint as one of its joint lead managers a bank that has never before underwritten a mainstream global bond, SBC Warburg.

"The IDB and SBC Warburg will want to make absolutely sure the bond performs – it's a first for both of them," said a trader.

Conner Middelmann

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Credit Suisse(a)‡	200	Feb 2000	2.25	100.00	-	-	Nomura International
Metropolis of Tokyo	450	Mar 2006	6.125	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-MARKS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LUXEMBOURG FRANCS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRALIAN DOLLARS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PESETAS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANCS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STERLING							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FRENCH FRANCS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NORWEGIAN KRONER							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIAN SHILLINGS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 23 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Feb 23 / Frs.)

[illegible]

CZECH REP (Feb 23 / Koruna)

[illegible]

DENMARK (Feb 23 / Kr)

[illegible]

FINLAND (Feb 23 / Mks)

[illegible]

FRANCE (Feb 23 / Frs.)

[illegible]

GERMANY (Feb 23 / Dm.)

[illegible]

GREECE (Feb 23 / Drachma)

[illegible]

ITALY (Feb 23 / Lire)

[illegible]

NETHERLANDS (Feb 23 / Fls.)

[illegible]

NORWAY (Feb 23 / Kroner)

[illegible]

POLAND (Feb 23 / Zloty)

[illegible]

PORTUGAL (Feb 23 / Escudo)

[illegible]

SPAIN (Feb 23 / Pts.)

[illegible]

SWEDEN (Feb 23 / Kronor)

[illegible]

SWITZERLAND (Feb 23 / Frs.)

[illegible]

TURKEY (Feb 16 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Feb 23 / Yen)

[illegible]

HONG KONG (Feb 23 / H.K.$)

[illegible]

INDONESIA (Feb 16 / Rupiah)

[illegible]

MALAYSIA (Feb 16 / MYR)

[illegible]

NEW ZEALAND (Feb 23 / NZ $)

[illegible]

SINGAPORE (Feb 23 / S$)

[illegible]

AUSTRALIA (Feb 23 / Aust$)

[illegible]

SOUTH KOREA (Feb 23 / Won)

[illegible]

TAIWAN (Feb 23 / TW $)

[illegible]

THAILAND (Feb 23 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Feb 23 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Feb 23 / Can $)

4 pm close

[illegible]

MONTREAL (Feb 23 / Can $)

4 pm close

[illegible]

INDICES

[illegible]

INDEX FUTURES

■ CAC-40 (200 x index)

■ DAX

■ OMX

■ SOFFEX

[illegible]

US INDICES

Dow Jones

Standard and Poors

■ RATIOS

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ S&P 500

■ Nikkei 225

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1995. ♯ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US$. (A) Owing to problems at the exchange, Spanish prices in last Friday's FT were for Feb. 21.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8186. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

■ TOKYO - MOST ACTIVE STOCKS: Friday, February 23, 1996

	Stocks Traded	Closing Prices	Change on day
NKK Corp	8.1m	293	+2
Nippon Steel Cp	7.3m	338	-9
Sumitomo Mtl Ind	6.3m	305	-3
Nippon Metal Ind	5.0m	530	+26
Mitsubishi Hvy	4.3m	859	+9
Daido Stl Sheet	3.8m	2220	+30
Nikon Corp	3.6m	1440	+50
Toshiba Corp	3.5m	815	+4
Kobe Steel	2.6m	306	-6
Mitsubishi Chem	2.5m	545	+2

مكرر من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Feb 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7245	-0.0332	167 - 322	15.8038	15.7197	15.6945	2.3	15.612	2.9	-	-	106.3
Belgium	(BFr)	45.9949	-0.0881	506 - 391	46.1460	45.9506	45.8899	2.7	45.6899	2.7	44.8299	2.5	108.6
Denmark	(DKr)	8.6432	-0.0217	391 - 473	8.6762	8.6391	8.6312	1.7	8.6111	1.5	8.505	1.6	109.6
Finland	(FM)	6.9424	-0.0163	346 - 502	6.9880	6.9346	6.938	0.8	6.9299	0.7	-	-	84.4
France	(FFr)	7.6802	-0.0325	756 - 847	7.7115	7.6686	7.6681	1.9	7.649	1.6	7.5695	1.4	109.9
Germany	(DM)	2.2355	-0.0047	344 - 365	2.2438	2.2324	2.2306	2.7	2.2206	2.7	2.1784	2.6	111.0
Greece	(Dr)	369.830	-1.118	561 - 100	371.245	369.561	-	-	-	-	-	-	65.9
Ireland	(I£)	0.9701	-0.0017	692 - 709	0.9732	0.9692	0.9691	1.2	0.9677	1.0	0.9637	0.7	97.6
Italy	(L)	2404.10	-18.11	301 - 519	2423.39	2401.01	2411.65	-3.8	2427.3	-3.9	2488.15	-3.4	73.0
Luxembourg	(LFr)	45.9949	-0.0881	506 - 391	46.1460	45.9506	45.8899	2.7	45.6899	2.7	44.8299	2.5	108.6
Netherlands	(Fl)	2.5039	-0.0054	028 - 050	2.5217	2.4988	2.4977	2.9	2.4856	2.9	2.4374	2.7	108.8
Norway	(NKr)	9.7621	-0.0277	534 - 707	9.8310	9.7422	9.7541	1.0	9.7407	0.9	9.682	0.8	99.2
Portugal	(Es)	232.339	-0.807	188 - 491	233.392	232.093	232.764	-2.2	233.669	-2.3	-	-	95.5
Spain	(Pta)	188.316	-0.414	145 - 486	188.872	188.145	188.738	-2.7	189.591	-2.7	192.871	-2.3	82.3
Sweden	(SKr)	10.3515	-0.0801	427 - 603	10.4268	10.3427	10.3529	-0.2	10.3559	-0.2	10.3643	-0.1	86.8
Switzerland	(SFr)	1.8159	-0.0091	146 - 172	1.8251	1.8128	1.8093	4.4	1.796	4.4	1.7443	3.9	114.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.3
Ecu	-	1.2174	-0.0033	167 - 180	1.2225	1.2167	1.218	1.4	1.2133	1.3	1.2014	1.3	-
SDR†	-	1.047600	-	-	-	-	-	-	-	-	-	-	-
Americas													
South Africa	(R)	5.9381	-0.0654	288 - 475	6.0100	5.9132	-	-	-	-	-	-	-
South Korea	(Won)	1201.86	-0.14	143 - 229	1205.41	1198.54	-	-	-	-	-	-	-
Taiwan	(T$)	42.3327	-0.0811	180 - 473	42.5268	42.2512	-	-	-	-	-	-	-
Thailand	(Bt)	38.8246	-0.0928	978 - 513	38.8970	38.7700	-	-	-	-	-	-	-

† Rates for Feb 22 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 23		Closing mid-point	Change on day	Bid/offer spread
South Africa	(R)	3.8550	-0.035	500 - 600
South Korea	(Won)	780.250	+1.4	200 - 300
Taiwan	(T$)	27.4825	-	810 - 840
Thailand	(Bt)	25.2050	-0.012	950 - 150

† SDR rate per $ for Feb 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 23: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.79	16.70	4.860	2.109	5227	5.445	21.23	505.1	409.4	22.50	3.949	2.174	4.612	3.349	351.2	2.646
Denmark	(DKr)	53.21	10	8.886	2.586	1.122	2781	2.897	11.29	268.8	217.9	11.98	2.101	1.157	2.454	1.782	186.9	1.408
France	(FFr)	59.88	11.25	10	2.910	1.263	3130	3.260	12.71	302.5	245.2	13.48	2.365	1.302	2.762	2.005	210.3	1.585
Germany	(DM)	20.58	3.867	3.436	1	0.434	1076	1.120	4.368	103.9	84.25	4.631	0.813	0.447	0.949	0.689	72.26	0.545
Ireland	(I£)	47.41	8.910	7.918	2.304	1	2478	2.581	10.06	239.5	194.1	10.67	1.872	1.031	2.187	1.588	166.5	1.255
Italy	(L)	1.913	0.360	0.319	0.093	0.040	100.	0.104	0.406	9.663	7.833	0.431	0.076	0.042	0.088	0.064	6.718	0.051
Netherlands	(Fl)	18.37	3.452	3.067	0.893	0.387	960.1	1	3.899	92.77	75.20	4.133	0.725	0.399	0.847	0.615	64.50	0.486
Norway	(NKr)	47.11	8.854	7.867	2.289	0.994	2463	2.565	10	238.0	192.9	10.60	1.860	1.024	2.173	1.578	165.4	1.247
Portugal	(Es)	19.80	3.721	3.306	0.962	0.418	1035	1.078	4.202	100.	81.06	4.455	0.782	0.430	0.913	0.663	69.52	0.524
Spain	(Pta)	24.42	4.590	4.079	1.187	0.515	1277	1.330	5.184	123.4	100.	5.497	0.964	0.531	1.126	0.818	85.77	0.646
Sweden	(SKr)	44.43	8.351	7.420	2.159	0.937	2323	2.419	9.432	224.4	181.9	10	1.755	0.966	2.049	1.488	156.0	1.176
Switzerland	(SFr)	25.32	4.758	4.229	1.231	0.534	1324	1.379	5.376	127.9	103.7	5.699	1	0.551	1.168	0.848	88.93	0.670
UK	(£)	45.99	8.643	7.680	2.235	0.970	2404	2.504	9.762	232.3	188.3	10.35	1.818	1	2.121	1.540	161.5	1.217
Canada	(C$)	21.68	4.075	3.621	1.054	0.457	1133	1.181	4.603	109.5	88.78	4.880	0.856	0.471	1	0.726	76.14	0.574
US	($)	29.86	5.612	4.987	1.451	0.630	1561	1.626	6.339	150.8	122.3	6.721	1.179	0.649	1.377	1	104.9	0.790
Japan	(Y)	28.48	5.352	4.755	1.384	0.601	1489	1.550	6.045	143.8	116.6	6.409	1.124	0.619	1.313	0.954	100.	0.754
Ecu		37.79	7.102	6.311	1.836	0.797	1975	2.058	8.021	190.9	154.7	8.505	1.492	0.822	1.743	1.265	132.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.6908	0.6918	+0.0017	0.6940	0.6865	15,667	64,591
Jun	0.6947	0.6950	+0.0018	0.6969	0.6903	4,081	6,197
Sep	0.6952	0.6980	+0.0020	0.6980	0.6980	7	1,502

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.8490	0.8525	+0.0039	0.8555	0.8451	10,135	37,285
Jun	0.8554	0.8598	+0.0041	0.8632	0.8544	176	2,478
Sep	0.8615	0.8665	+0.0043	0.8690	0.8615	11	232

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.9550	0.9573	+0.0025	0.9598	0.9523	18,948	72,300
Jun	0.9620	0.9682	+0.0025	0.9701	0.9639	905	5,823
Sep	-	0.9783	+0.0025	0.9795	0.9780	5	811

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.5432	1.5410	-0.0034	1.5460	1.5356	6,468	42,760
Jun	1.5340	1.5376	-0.0036	1.5390	1.5330	48	10,484
Sep	-	1.5336	-0.0034	-	1.5340	3	9

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	Mar	Apr	PUTS Feb	Mar	Apr
1.490	-	-	-	0.05	-	-
1.500	3.93	4.12	4.47	0.09	0.37	0.72

■ **Pound in New York**

Feb 23	Close	Prev. close
£ spot	1.5425	1.5450
1 mth	1.5413	1.5438
3 mth	1.5391	1.5417
1 yr	1.5268	1.5298

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Feb 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 3/8 - 4 1/2	6 5/16 - 6 3/16	6 5/16 - 6 1/8	6 1/4 - 6 1/16	6 1/8 - 6	6 1/4 - 6 1/8
Sterling CDs	-	-	6 1/4 - 6 3/32	6 1/8 - 6 1/16	6 1/32 - 6 1/32	6 5/32 - 6 3/32
Treasury Bills	-	-	6 1/8 - 6 1/16	6 - 5 15/16	-	-
Bank Bills	-	-	6 1/8 - 6 3/32	6 - 5 15/16	5 15/16 - 5 7/8	-
Local authority deps.	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 1/4 - 6 3/16	6 1/8 - 6 1/16	6 1/16 - 5 15/16	6 1/16 - 5 15/16
Discount Market deps	6 1/8 - 6	6 1/4 - 6 1/8	-	-	-	-

UK clearing bank base lending rate 6 1/4 per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount 5.9280pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, 1996. Agreed rate for period Feb 26, 1996 to Mar 25, 1996, Schemes II & III 7.89pc. Reference rate for period Dec 30, 1995 to Jan 31, 1996, Schemes IV & V 6.440pc. Finance House Base Rate 6.5pc from February 1, 1996

Jun	94.85	94.85	-	95.06	94.88	113,535	414,402
Sep	95.05	95.03	-0.02	95.18	94.85	130,771	317,664

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

Mar	95.28	95.24	-0.02	95.30	95.24	906	7,323
Jun	95.45	95.38	-0.01	95.48	95.33	360	6,965
Sep	95.55	95.43	-0.03	95.58	95.40	105	1,398

All Open interest figs. are for previous day

CRÉDIT NATIONAL

US$ 250,000,000 Floating Rate Notes due 1997

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from February 26, 1996 to May 24, 1996 the Notes will carry an Interest Rate of 5.26953 % per annum.

The Coupon Amount payable on the relevant Interest Payment Date, May 24, 1996 will be US$ 12.88 per US$ 1,000 principal amount of Note, US$ 128.81 per US$ 10,000 principal amount of Note and US$ 1,288.11 per US$ 100,000 principal amount of Note.

The Agent Bank
Kredietbank Luxembourg

Pesetas 20,000,000,000
KINGDOM OF SWEDEN
Yield Curve Notes due 2000
Issued 25th August 1993

Interest Rate	9.30287% per annum (18% - 6 month Pta. Libor)
Interest Period	26th February 1996 26th August 1996
Interest Amount per Ptas 100,000 Notes due 26th August 1996	Ptas 4,651.43

BANCO BILBAO VIZCAYA, S.A.
Madrid
Agent

CORRECTION NOTICE

HongkongBank
The Hongkong and Shanghai Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

U.S.$400,000,000
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(FIRST SERIES)

Notice is hereby given that the Rate of Interest has been fixed at 5.5625% and that the interest payable on the relevant Interest Payment Date August 23, 1996, against Coupon No. 22 in respect of US$5,000 nominal of the Notes will be US$140.61 and in respect of US$100,000 nominal of the Notes will be US$2,812.15.

February 26, 1996, London
By: Citibank, N.A., (Issuer Services), Agent Bank CITIBANK

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

Jupiter Tyndall (Bermuda) Ltd

[illegible]

Newport Investment Management

[illegible]

Orion Fund Limited

[illegible]

BERMUDA (REGULATED)(**)

Bermuda Intl Invmnt Mgmnt Ltd

[illegible]

Butterfield Management Co Ltd

[illegible]

Orbis Investment Management Ltd

[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

[illegible]

Equitable International Fund Managers Ltd

[illegible]

Guinness Flight Fd Mgrs (Guernsey) Ltd

[illegible]

Lazard Frères Asset Management (CI) Ltd

[illegible]

Lloyds Intl Money Market Fund Ltd

[illegible]

M & G (Guernsey) Ltd

[illegible]

Rothschild Asset Management (CI) Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

[illegible]

Arab Bank Fund Managers (Guernsey) Ltd

[illegible]

BZW Asset Management Guernsey Ltd

[illegible]

Barclays Global Investment Fund Ltd

[illegible]

CCF Fund Managers (Guernsey) Ltd

[illegible]

Guernsey Capital Management Limited

[illegible]

Lazard Fund Managers (CI) Ltd

[illegible]

Lazard Frères Asset Management (CI) Ltd

[illegible]

Lloyds Bank Fund Managers (Guernsey) Ltd

[illegible]

Nikko Capital Mngmt (Guernsey) Ltd

[illegible]

Rothschild Asset Mngmt (CI) Ltd

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd

[illegible]

U.S. Advisers (Guernsey) Limited

[illegible]

Yamaichi Capital Mngt (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

AIB Fund Managers Ltd

[illegible]

The Fiduciary Trust Global Funds plc

[illegible]

Guinness Flight Select Funds Plc

[illegible]

Hambros Fund Managers (Ireland) Ltd

[illegible]

Henderson Crosthwaite Investment Co

[illegible]

LGT Asset Management Ltd

[illegible]

Morgan Grenfell Investment Funds Ltd

[illegible]

Murray Johnstone (Dublin) Ltd

[illegible]

Old Mutual International Fd Mgrs (Ir) Ltd

[illegible]

Pacific International Fund Plc

[illegible]

Royal Bank of Canada Intl Money Market Fd

[illegible]

Scottish Value Management (Ireland) Ltd

[illegible]

Singer & Friedlander Inv Funds Ltd

[illegible]

Swiss Life Investment Fund - Protrem

[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

[illegible]

Apollo Fund Plc

[illegible]

Argenta European Hedge Fund plc

[illegible]

Asia Dynamic Growth Fund Plc

[illegible]

Asian Emerging Markets Fund Plc

[illegible]

Atlantic Korean Smaller Companies Fund

[illegible]

BZW Asset Management Ireland Ltd

[illegible]

Baring International Fd Mgrs (Ireland) Ltd

[illegible]

Berkshire KTC Growth Fund Plc

[illegible]

Berkshire Korea Fund Plc

[illegible]

Bordier Invest (Ireland) Ltd

[illegible]

Capital Vision Fund Plc

[illegible]

Chemical Ireland Fund Administrators Ltd

[illegible]

Citizens Investment Trust Mngt Company

[illegible]

Dalton Europe Fund Managers Ireland Ltd

[illegible]

Dragon Korea Fund Plc

[illegible]

Dresdner Kleinwort Benson Intl Mgt Services Ltd

[illegible]

East Asia Hansom Ireland Ltd

[illegible]

Emerging Market Growth Fund Plc

[illegible]

F.I.T. Investment Trust Ltd

[illegible]

Gill Fund Management (Ireland) Ltd

[illegible]

Global Resources Stock Fund

[illegible]

Gordon House Asset Management Ltd

[illegible]

Hambros Fund Managers (Ireland) Ltd

[illegible]

Kleinwort Benson Bond Arbitrage Fund Plc

[illegible]

Korea Growth Fund

[illegible]

Morgan Grenfell Investment Funds Plc

[illegible]

Old Mutual International (Ireland) Ltd

[illegible]

Pacific 21st Century Fund

[illegible]

Pacific Growth Fund Ltd

[illegible]

Paine Webber Offshore Funds Plc

[illegible]

Yamaichi Samsung Dynamic Korea Fund

[illegible]

Yellow Sea Investment Company PLC

[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

[illegible]

Allied Dunbar Intl Fund Mgrs (1989) Ltd

[illegible]

Ashburton Global Funds Ltd (1290)

[illegible]

Bank of Ireland Asset Mngmt (IOM) Ltd

[illegible]

Mercury Fund Managers Intl Ltd

[illegible]

Quilter Intl Mngt (IoM) Ltd

[illegible]

Ulster Bank Global Funds Plc

[illegible]

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

[illegible]

Bank of Ireland Asset Mngmt (IOM) Ltd

[illegible]

Quilter Intl Mngt (IoM) Ltd

[illegible]

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

[illegible]

Barclays International Funds

[illegible]

Coutts & Co (Jersey) Fund Managers Ltd

[illegible]

Fleming Fund Managers (Jersey) Ltd

[illegible]

Lloyds Bank (CI) U/T Mgrs

[illegible]

Midland Bank Fund Managers (Jersey) Ltd

[illegible]

Save & Prosper International

[illegible]

TSB Fund Managers (CI) Ltd

[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds

[illegible]

Citibank (CI) Ltd

[illegible]

Coutts & Co (Jersey) Fund Managers Ltd

[illegible]

Fleming Group

[illegible]

Foreign & Colonial Mngt (Jersey) Ltd

[illegible]

John Govett Management (Jersey) Ltd

[illegible]

INVESCO International Limited

[illegible]

Jupiter Tyndall (Jersey) Ltd

[illegible]

Lloyds Private Banking (CI) Ltd

[illegible]

Lombard Odier (Jersey) Ltd

[illegible]

Lonsworld Financial Services Limited

[illegible]

Mercury Asset Mngmt Channel Islands Ltd.

[illegible]

Minerals, Oils Res. Shrs. Fd. Inc.

[illegible]

Perpetual UT Mngrs (Jersey) Ltd

[illegible]

The Portugal Fund Limited

[illegible]

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

[illegible]

Schroder Money Funds Ltd

[illegible]

Worldinvest (Managers) Jersey Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

[illegible]

American Phoenix Investment Portfolios

[illegible]

Barclays Diversified Portfolio

[illegible]

Barclays Int Funds (Luxembourg)

[illegible]

Baring International Fund Mngrs

[illegible]

Bank Von Ernst & Cie AG

[illegible]

Citibank Investment Management (Luxembourg) SA

[illegible]

Creditanstalt Group

[illegible]

Dresdner Bank Asset Mngmt SA

[illegible]

Eagle Star - Global Assets Fund

[illegible]

Edmond de Rothschild Group

[illegible]

Fidelity Funds

[illegible]

Fleming Group

[illegible]

Foreign & Colonial Emerging Markets Ltd

[illegible]

Gartmore Global Funds

[illegible]

Jupiter Tyndall Global Fund

[illegible]

Lombard Odier

[illegible]

Morgan Stanley Fund Mngmt

[illegible]

Nikko Capital Management

[illegible]

Schroder International Selection Fd

[illegible]

Singer & Friedlander

[illegible]

Thornton Investment Management Ltd

[illegible]

Warburg Global Fund

[illegible]

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund

[illegible]

Alliance Capital

[illegible]

Banque Ferrier Lullin (Lux) SA

[illegible]

Capel-Cure Myers Intnl Fd

[illegible]

Credit Investment Funds

[illegible]

[illegible]

هكذا أصله للأصل

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Credis Investment Funds - Contd.

NICAM Asia Pacific Umbrella Fund

Allied Dunbar International Assce Ltd (z)

Premier Life

CA Securities Investment Fund Mangt Ltd

Global Asset Management - Contd.

MFS Meridian Funds

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Allied Domecq	[illegible]	520xd	-1.9	Q28.5	1.2	Feb Jul	4.12	1550
Bulmer (HP)	[illegible]	857	0.5	12.3	2.6	Feb Sep	8.1	3006
Burn St Dist	[illegible]	119	-.8	5.0	0.9	May Nov	30.10	1516
Grand Met	[illegible]	443½xd	-1.4	14.9	1.6	Apr Oct	29.12	2789
Guinness	[illegible]	446	-2.2	14.1	2.3	Nov May	9.10	2791
Highland	[illegible]	354	5.7	7.9	2.7	Jan Jun	4.12	2898
Kirin Y	[illegible]	784½	-2.2	Q20%	4.2	Mar Sep	–	1119
Macallan-Glen.	[illegible]	161	—	1.32	3.4	Nov May	2.10	3254
Marston Martin A	[illegible]	643	—	10.9	3.3	Jan Jul	11.12	3257
Matthew Clark	[illegible]	680xd	1.8	22.0	0.2	Apr Oct	29.1	2163
Merrydown	[illegible]	188	—	2.0	–	Jan Oct	11.12	3352
Seagram $		£23¼	2.4	Q60c	–	MrJuSeDe	3.93	–

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf		88½	—	8%	–	Jun Dec	11.94	1757
Cater Allen	[illegible]	458	-1.9	30.8	2.0	Jan Aug	11.12	2961
Close Bros	[illegible]	383	-.5	8.7	2.5	Apr Nov	9.10	2166
Gerrard & Nat.	[illegible]	418	-2.6	22.5	1.3	Jul Dec	13.11	2868
Hambros	[illegible]	204	-.5	7.5	–	Aug Dec	27.11	2812
7½pc Cv Pf		101	—	7½%	–	Oct Apr	4.9	4388
Joseph (L)	[illegible]	459	—	18.75	1.6	Sep Jan	11.12	3680
King & Shaxson	[illegible]	165	-.6	9.0	1.4	Jan Jul	22.12	3088
Rea Brothers	[illegible]	68	—	1.0	2.4	May Sep	14.8	3785
Schroders	[illegible]	1273	-.2	14.17	5.1	May Oct	18.9	3939
NV	[illegible]	998	-2.0	14.17	5.1	May Oct	18.9	3941
Singer & Fried	[illegible]	110	-1.8	3.7	2.7	Nov Jun	25.9	4028
8½pc Cv Ln 09/14		£133¼	-.7	08½%	–	–	19.10	4845
Union	[illegible]	99	-1.0	3.0	–	Apr Aug	31.7	4363
Wintrust	[illegible]	305	—	11.72	1.5	Mar Oct	28.8	4524

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

مكتبة الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

LIFE ASSURANCE

MEDIA

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

TELECOMMUNICATIONS

AMERICANS

TEXTILES & APPAREL

RETAILERS, GENERAL

PHARMACEUTICALS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Astra B SKr	□	£30⅛	10.7	Q120%	φ	May	5'93	–
Biota	大	139	2.2	–	–	–	–	–
Brit Biotech	大♣v□	2048	–2.2	–	–	–	–	2819
Cantab Pharma.	大♣v	503	–4	–	–	–	–	3448
Celltech	♣v□	595	–1.9	–	–	–	–	3780
Chiroscience	大♣v□	251	–6.0	–	–	–	–	3685
Cortecs	♣v□	275	3.0	–	–	–	–	4505
Elan E.	y	£39¼	1.1	–	–	–	–	–
Glaxo Wellcome	大♣Zv□	923	–2.1	30.0	1.6	Apr Oct	18.9	2761
Hafslund A NKr	□	£18⅞	1.9	Q100%	φ	May	5'93	4765
B NKr	□	£17⅞	0.4	Q100%	φ	May	5'93	4766

PHARMACEUTICALS - Cont.

RETAILERS, GENERAL - Cont.

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Courts	大tv	783	0.7	Q8.25	4.8	Apr Oct	11.9	2258
DFS Furniture	大♣v□	448	3.7	8.3	0.9	Jan Nov	30.10	3588
Dixons	大tv□	450½xd	1.7	7.5	2.5	Mar Oct	22.1	2355

PROPERTY

OIL EXPLORATION & PRODUCTION

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

SUPPORT SERVICES

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£36¼	—	Q478c	2.4	Oct Apr	3'93	–
Barlow	§	£9¼	—	Q84c	φ	Jan Jul	11.12	–
Gold Flds Prop R		167	—	Q80c	2.1	Mar Sep	1'94	–
NK Props		95	—	Q83.9c	–	Mar Sep	1.9	–
SASOL	♥	517	—	Q78c	–	Oct	8'93	–
SA Brews		£23⅜	—	Q208c	2.1	Jun Dec	27.11	
Standard Bank	□	£27⅞	–7.1	Q264c	3.1	Sep Mar	–	
Tiger Oats		1175	–2.5	Q108c	φ	Jan Aug	11.12	
Tongaat-Hulett	†	1139	—	Q110c	2.7	Jan Jun	4.12	–

TOBACCO

TRANSPORT

WATER

AIM

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "Y" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ∮ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend, cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend includes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xß ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Gem River (Extractive Inds). Deletions: Joel (H.J) Gold (Extractive Inds).

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To order, call 0121 200 4678.
Reports published by ShareFinder Ltd.

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For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at www.FT.com.

4 pm close February 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	12⅛	AAR	0.48	2.4	23	394	19⅞	19⅝	19¾	-⅛
48¾	35	AMP	1.00	2.2	22	5903	44¾	43¾	44⅝	+⅜
89⅞	53⅞	AMR			36	15884	u89⅝	87¾	89½	+1⅞
50½	35⅞	ASA x	2.00	4.4	30	690	48¾	45⅛	45⅝	+⅜
44¾	30¼	AbbtL	0.98	2.3	19	11871	42½	41½	41⅝	-⅛
18⅞	12	Abitibi Pr	0.40	2.5	8	916	16¼	15¾	15⅞	-¼
29⅝	21	ABM Ind	0.70	2.4	15	71	u29⅞	28⅞	29⅞	+½
17½	13⅛	Acpbncels			10	142	15⅛	14⅞	14⅞	-⅛
50⅛	21⅞	ACE Ltd	0.56	1.2	11	1153	48	47½	47¾	
9⅞	8⅛	ACM Gvt In	0.90	9.2	8	464	u9⅞	9¾	9¾	
7⅞	6½	ACM GvOpp	0.68	8.7		66	7¾	7⅝	7⅝	-⅛
7½	5¾	ACM Gvt Sp	0.75	10.5		155	7⅛	7	7⅛	
9⅛	7¼	ACM Gvt Se	0.90	10.0		368	9	8⅞	9	
9½	7⅞	ACM Man	0.90	9.9		51	9⅛	9⅛	9⅛	-⅛
29¼	10¼	AcmeClv	0.52	2.8	4	619	19⅛	18⅝	18¾	-⅛
38¾	6⅞	Acme Elect			58	63	7¼	7⅛	7⅛	-¼
34½	23¾	Acordia	0.72	2.5	15	2	28⅞	28¼	28⅞	+⅛
16¾	10⅛	Acuson			45	316	14½	14¼	14½	+⅛
19⅝	15⅝	Adams Expr x	0.36	1.9	0	340	19½	19¼	19⅜	
38⅞	16⅛	AdvMic			7	7382	21	20¼	20½	-⅛
10¼	5	Advest Grp	0.16	1.6	9	116	9¾	9⅝	9¾	+⅛
27½	16½	Advo Inc	0.10	0.5	22	514	21⅞	21⅝	21¾	
48¾	24.80	Aegon	1.28	2.9	16	51	43⅞	43⅝	43⅝	-⅜
5⅞	3⅞	Aerflx			6	576	4¾	4⅝	4¾	
76¾	46¾	AetnaL	2.76	3.8	34	3752	72½	71⅞	71⅞	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

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- R -

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Continued on next page

4 pm close February 23

NYSE COMPOSITE PRICES

Continued from previous page

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18¾	9	SFeGd	0.05	0.3	53	7617	16	15¾	16	+⅛
38⅝	30½	SFePPpe	3.00	7.9	18	115	38½	38	38½	-⅜
35½	24¼	SaraLee	0.76	2.2	19	12937	34	33½	34	+¼
60¼	39⅝	SBC Cm	1.65	2.9	18	7482	57⅞	55⅞	56	-1
28⅝	20½	Scana Corp	1.47	5.3	16	929	27¾	27⅜	27½	
11¼	5⅞	SchawkA	0.26	3.0	30	38	8¾	8⅝	8¾	+⅛
50¾	37¼	ScherertRP			23	1136	45⅛	44	45⅛	+⅞
60¾	35½	SchrPl	1.16	2.0	23	9511	58	56⅞	57¼	-¼
78	50⅛	Schmb	1.50	2.0	27	9073	75⅝	74	74½	-⅞
29	11¼	SchwabC	0.16	0.6	25	6056	25⅞	24	24¾	-⅛
28½	20⅜	SchwMaud				2420	u28½	27⅞	28¼	+⅞
24⅞	11½	SciAtl	0.06	0.3	38	3033	17⅛	16⅞	17⅜	+⅛
20	15⅛	Scotman	0.10	0.6	10	262	17⅜	17¼	17¼	-⅛
43½	26⅞	Scripps x	0.52	1.2	25	715	42⅝	42¼	42⅜	-¼
21½	13⅜	ScudrNAsF	0.02	0.1		174	17⅛	16⅞	17	-⅛
11⅞	8⅝	ScudrNEuF	0.16	1.4		639	11½	11¼	11⅜	+⅛
20	13⅜	SeaCnB	0.70	4.1	1	13	17¼	17	17¼	+½
16¼	14⅝	SeaC1.4625	1.46	9.4		4	15½	15½	15½	-¼
67⅞	23⅝	S'gate			12	13386	u67⅛	66¼	66¾	+¾
38½	25⅝	Seagrm	0.60	1.7	24	4120	36⅝	35¼	35¼	-⅞
22½	15¼	Seagul En			102	999	20½	20	20¼	-⅛
32⅝	18	Sealed Air			24	974	31	30⅛	30⅝	+⅛
48⅛	30⅜	SearsR	0.92	1.9	12	22336	u48⅛	46⅝	48	+2⅜
21⅞	16⅜	SecCapSBI	1.24	5.8	25	332	21⅝	21½	21½	-⅛
13	10⅛	Seligm Sel x	0.84	6.6		74	12¾	12⅝	12¾	
38¼	13⅝	Sensormat	0.22	0.9	83	8073	23⅞	22⅞	23¼	+¼
35¼	27⅞	SequaA	0.60	1.7	15	70	34⅞	34	34⅞	-⅝
41⅝	23	SequaB	0.50	1.2	21	13	41¼	40⅞	41	-⅜
47¼	26¼	SenvCp	0.48	1.0	26	4779	u47¼	46¾	47⅛	+⅞
33½	21½	SvMstr	0.96	3.0	14	452	32	31⅞	31½	+⅜
7⅞	4⅛	ServMerch			10	1493	5⅛	5	5⅛	
57½	22½	SGSThm			10	1962	41½	40⅜	40⅝	+¼
17⅜	11⅞	Shaw Ind	0.30	2.5	25	3035	12¼	12	12	
13⅝	7⅝	Shelby WI	0.28	2.5	14	60	11⅛	11	11⅛	+⅛
83½	64¼	ShellTr	3.30	4.1	17	1528	80¼	79¼	79⅞	-¾
45⅜	32	SherW	0.70	1.6	18	951	u45⅜	43½	44⅞	-⅝
13½	7⅞	Shoneys			13	449	8⅜	8⅛	8⅛	
29⅜	13½	Showboat	0.10	0.4	25	202	26	25¼	25¾	-⅝
24½	18½	Sierra Pac	1.18	4.8	12	455	u24½	24¼	24⅜	+⅛
[illegible]										

NASDAQ NATIONAL MARKET

4 pm close February 23

[illegible]

AMEX COMPOSITE PRICES

4 pm close February 23

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FT GUIDE TO THE WEEK

MONDAY 26

MPs debate Scott report

In London, a parliamentary debate on the findings of Sir Richard Scott's inquiry into the arms-to-Iraq affair is set to test the loyalty of Tory backbenchers. The government insists it has been cleared on the "two central charges" – that ministers secretly authorised the sale of weapons to Iraq and then intentionally misled parliament. However, the opposition insists the government is distorting Scott's findings – which were that MPs were misled and ministers were "at fault". A number of Conservatives privately agree but are expected to toe the government line rather than risk another embarrassing vote of confidence.

African unity conference

Foreign ministers from countries of the Organisation of African Unity meet in Addis Ababa for their annual conference. The main topic is expected to be the proposal by the UN secretary-general, Boutros Boutros-Ghali, for a rapid deployment force of 25,000 troops ready to intervene in Burundi.

EU foreign ministers meet

The most divisive issue facing EU foreign ministers at the general affairs council meeting in Brussels is the proposed trade pact with South Africa. Whether to give the EU Commission the go-ahead to negotiate with South Africa on a wide-ranging trade agreement has split member states because some, such as France, fear it could set a precedent. Similar disagreements are likely when ministers discuss a mandate for negotiations with Mexico. Greece's move to block agreement on an aid package for Turkey will also be debated.

Menem visits France

The Argentine president, Carlos Menem, arrives in Paris for a three-day visit – preceded by a shipment to France of two Argentine horses for President Jacques Chirac. The horses, a gift from Mr Menem, are said to be in fulfilment of a promise made in 1991 when Mr Menem presented Mr Chirac, then mayor of Paris, with a set of silver spurs, vowing that the horse would follow when Mr Chirac became president.

Democracy in Sierra Leone

While rebels in Sierra Leone are chopping off some voters' hands and heads, the west African state is to hold its first presidential election for 10 years. One of the world's poorest countries, the former British colony remains unstable after a military coup toppled Captain Valentine Strasser last month and installed his deputy, Julius Maado Bio. The new regime had asked delegates at a convention to postpone the elections until after peace talks with the Revolutionary United Front, whose leader, Foday Sankoh, promised the talks if the elections were delayed. Delegates voted to go ahead. More than 10,000 people have died in the civil war.

On Thursday, US forces leave Haiti – but President Bill Clinton will be looking out for Cuba after it shot down two unarmed planes

Chun Doo-hwan on trial

South Korea's former president, Chun Doo-hwan, is to go on trial for corruption. He is accused of accepting as much as Won950bn (£790m) in corporate bribes during his 1980-1988 term. Businessmen who allegedly paid Mr Chun will not be charged because the statute of limitations for their activity has expired. The trial may be delayed if the court decides that Mr Chun has not fully recovered from the effects of a one-month hunger strike.

Take That

Robbie Williams, who broke teenage hearts by leaving the UK pop group Take That, appears in court on the first day of his case against RCA, the band's record company. Williams, who hopes to negotiate with other labels, claims Take That's contract limits free trade.

Berlin film festival prizes

The 1996 Berlin Film Festival presents its prizes. Hollywood favourites for the Best Film Golden Bear include Terry Gilliam's time-travel fantasy *Twelve Monkeys* and Tim Robbins' death-penalty drama, *Dead Man's Walking*. Praised oriental movies include *Mahjong*, from Taiwan, and *The Sun Has Ears*, from China. Britain and Taiwan joined talents for the popular opening film, Ang Lee's Jane Austen adaptation *Sense And Sensibility*.

Cricket

World Cup: Pakistan v Netherlands, Lahore, Pakistan; and Zimbabwe v Kenya, Patna, India. Matches in groups A and B continue to March 6.

Public holidays

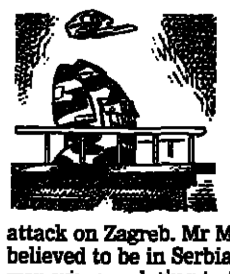
Cyprus, Greece, Kuwait.

TUESDAY 27

Dole faces tough primaries

Three of this week's four US Republican primaries take place in Arizona, North and South Dakota – with that in South Carolina on Saturday. Bob Dole, who is badly in need of winning, faces tough competition from Pat Buchanan in conservative Arizona and South Carolina – where religious conservatives are influential – and possibly even in the Dakotas. Lamar Alexander, from Tennessee, also must show some strength in his native south to prove his viability as the establishment alternative to Mr Dole.

War crimes hearing



The UN criminal tribunal for former Yugoslavia holds a public hearing in The Hague against Milan Martic, a rebel Croatian Serb leader accused of ordering a cluster-bomb attack on Zagreb. Mr Martic, who is believed to be in Serbia, is charged with war crimes relating to two rocket attacks in which seven civilians died. Although he cannot be tried in his absence, witnesses may be called and an international arrest warrant issued.

Christopher in Latin America

The US secretary of state, Warren Christopher, arrives in Chile from El Salvador as part of a tour of Latin America and the Caribbean (to Mar 4). He flies on to Argentina, Brazil and Trinidad and Tobago. It is the first extended visit to the region by a US secretary of state for seven years and marks a recognition of the spread of democratic politics and free-market economic policies.

Public holidays

Dominican Republic.

WEDNESDAY 28

Palme murder mystery

A sombre Sweden will mark the 10th anniversary of the murder of Olof Palme, the former prime minister. The police are no closer to solving the mystery of who gunned down Mr Palme as he walked home with his wife from the cinema. Theories about the killing have swung from a lone madman to a conspiracy by right-wing extremists within the police force. Not even the murder weapon has been found.

FT Survey

FT Exporter.

THURSDAY 29

Summit of Caribbean leaders

The impact of the North American Free Trade Agreement on the economies of the Caribbean will be discussed by the prime ministers and presidents of the 14-nation Caribbean Community (Caricom) at a two-day summit in Georgetown, Guyana. Two of the larger members – Jamaica and Trinidad and Tobago – want to be listed for accession to Nafta. Other members fear this will harm the community's integrity. Caricom claims that in becoming more competitive since joining Nafta, Mexico is taking Caribbean market share in Canada and the US.

US forces out of Haiti

The last US members of a UN force in Haiti leave, 18 months after the US intervened to reinstate the exiled president, Jean-Bertrand Aristide. The UN is expected to agree to a Haitian request for its remaining 4,000 members – mainly Canadians and Pakistanis – to stay until September to help maintain law and order and to train a new constabulary.

UK-Argentine oil advance

Argentine and British delegations meet in Buenos Aires for two days of meetings over the Falkland Islands. They are expected to establish formally a joint commission for oil exploration and development in the south Atlantic, as envisaged in an accord last September.

NTT break-up proposal

A government advisory panel is expected to approve plans to split Nippon Telegraph and Telephone, Japan's telecommunications monopoly and the world's largest company, into one long-distance and two regional carriers. The break-up, which is fiercely resisted by NTT management and unions, would be to stimulate greater competition in the domestic telecommunications market. However, the plan may not meet government approval.

FRIDAY 1

EU-Asia summit opens

Government leaders of the 15 nations of the European Union and 10 Asia countries meet in Bangkok for two days of talks on trade, security and how to increase Europe's presence in Asia. The Association of Southeast Asian Nations is joined by China, Japan and South Korea. The EU would like it to be easier for European manufacturers to invest in Asia and wants to enlist Asia's co-operation in enhancing the role of the World Trade Organization. It also wants telecommunications to be liberalised and nuclear proliferation prevented. Asian countries seek better access to European markets, clear support for Chinese membership in the WTO and a European security and political presence in the region to balance US dominance.

Mastering Management

The FT's 20-part series continues in the UK edition with part 17. Non-UK readers can take out a subscription. Contact: PO Box 384, Sutton, Surrey, SM1 4XE, UK. Tel: +44 181 770 9772, Fax: +44 181 643 7330.

FT Survey

The Repo Market.

Public holidays

Korea, Paraguay, Uruguay.

SATURDAY 2

Elections in Australia

Australians go the polls to elect a new federal parliament. The Labor party has been in power for 13 years and there are signs that voters seek a change. However, the opposition – a coalition of the conservative Liberal and National parties – has offered few distinguishing policies; its lead in the opinion polls, which once stood at 10 percentage points, has halved during the campaign.

Forestry conference

The World Commission on Forestry and Sustainable Development, which was set up after the Earth Summit in Brazil, will hold public hearings in Jakarta, Indonesia, involving 200 participants representing groups with diverse stakes in the world's forests (to Mar 8). The aim is to lay the groundwork for a common policy on the sustainable use and management of forests. The premise is that forest development and environmental preservation are compatible goals.

Rugby union

Five nations' championship: Ireland v Wales, Dublin; and Scotland v England, Edinburgh.

Public holidays

Ethiopia, Georgia, Libya, Myanmar.

SUNDAY 3

Aznar poised in Spain

General elections take place in Spain which are expected to bring the centre-right Popular Party to power, ending 13 years of socialist governments headed by the prime minister, Felipe González. Although opinion polls put the PP leader, José Maria Aznar, in front, his advantage only ranges between 5 and 10 percentage points. This could deny the centre-right an overall majority in parliament. Mr Aznar says Spain requires an austere, efficient and honest government to wrestle down the fiscal deficit, reduce unemployment and root out corruption from public life.

Ballot in Benin

Benin's old guard takes on a former World Bank official in its presidential election. Mathieu Kerekou, the Marxist who led the tiny west African state for 18 years until 1991, is running against the incumbent Nicephore Soglo. Mr Soglo reversed Benin's disastrous economic decline by applying the bank's structural adjustment formula. The result: GDP growth of about 6 per cent last year.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: German cost of living data this week are expected to show that inflationary pressures remained subdued this month in the west German states.

Tuesday: Economists expect a batch of US data to show that US retail sales fell last month although consumer confidence is thought to have rebounded in February. US producer price inflation is forecast to have slowed slightly last month.

Wednesday: French gross domestic product is forecast to have contracted in the fourth quarter of last year. US consumer prices are expected to have accelerated slightly between December and January while the country's visible trade gap is thought to have widened in December.

Thursday: The French unemployment rate is expected to have remained stable at close to 12 per cent last month. UK figures should show a widening of the trade gap with the rest of the world in December, although that with countries outside the European Union is expected to have narrowed slightly last month.

Friday: Italian gross domestic product is thought to have contracted in the fourth quarter of last year.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Dec ov'all pers'l consumer expend**	-1.5%	-2.4%
Feb 26	Japan	Jan department store sales**	-	-1.8%
	France	Jan consumer price indx fnl*	0.3%	0.1%
Tues	US	Jan producer price indx	0.4%	0.5%
Feb 27	US	Ditto ex-food & energy	0.2%	0.1%
	US	Jan retail sales	-0.3%	0.3%
	US	Jan retail sales ex-autos	unch	0.2%
	US	Feb consumer confidence	88.0	87.0
	Japan	Jan retail sales**	2.0%	-2.5%
	Japan	Jan industrial production†	1.0%	0.8%
Wed	US	Jan consumer price indx	0.3%	0.2%
Feb 28	US	Ditto ex-food & energy	0.2%	0.1%
	US	Dec trade: goods & services	-$7.0bn	-$7.1bn
	US	Ditto, exports (balance of payments)	$67.7bn	$67.4bn
	US	Ditto, imports (balance of payments)	$74.9bn	$74.4bn
	US	Jan existing home sales	-	3.91m
	US	Jan real earnings	-	-0.2%
	US	Dec business inventories	unch	0.1%
	Japan	Jan shipments†	-	0.7%
Thur	US	Feb Chicago Ass Purchasing Mgrs†	-	50.9%
Jan 29	US	Feb agricultural prices	-	1.9%
	US	Initial claims w/e Feb 24	380,000	-
	Japan	Jan construction orders**	-	6.9%
	Japan	Jan housing starts**	3.8%	4.8%
	UK	Jan ex-EC trade	-£800m	-£813m

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	UK	Dec global trade	-£900m	-£567m
	UK	Jan final money data	-	N/A
	UK	Jan consumer credit	£650m	N/A
Fri	US	Feb Nat Assn Purchasing Mngrs	46.0%	44.2%
Mar 1	US	Feb Michigan sentiment final	-	86.6
	US	Feb domestic automobile sales	6.8m	6.5m
	US	Feb domestic light truck sales	6.0m	6.0m
	Japan	Jan unemployment rate	3.4%	3.4%
	Japan	Jan job offers/seekers ratio	0.65	0.65
	Japan	Feb Bnk Japan Tankan DI manufact	-7.0%	-14.0%
	Japan	Ditto, non-manufacturing	-16.0%	-22.0%
	Japan	1996 Tankan capital spending	0.9%	3.8%
	Japan	Feb automobile sales**	-	8.6%
	Japan	Feb forex reserves*	-	-0.01%
	UK	Feb Chart Inst Purchasing Mngrs	-	N/A
During the week...				
	Germany	Jan industrial production, West*	-0.8%	1.6%
	Germany	Jan manufacturing output, West*	-1.0%	2.4%
	Germany	Jan indust product'n, pan-Germany*	-0.4%	0.6%
	Germany	Jan import prices**	0.3%	0.3%
	Germany	Jan import prices**	-1.1%	-0.9%
	Germany	Feb prelim cost of living, West*	0.4%	0.1%
	Germany	Feb prelim cost of living, West**	1.8%	1.4%
	Italy	Jan M2 3-month average	2.2%	2.1%

*month on month, **year on year, †seasonally adjusted. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

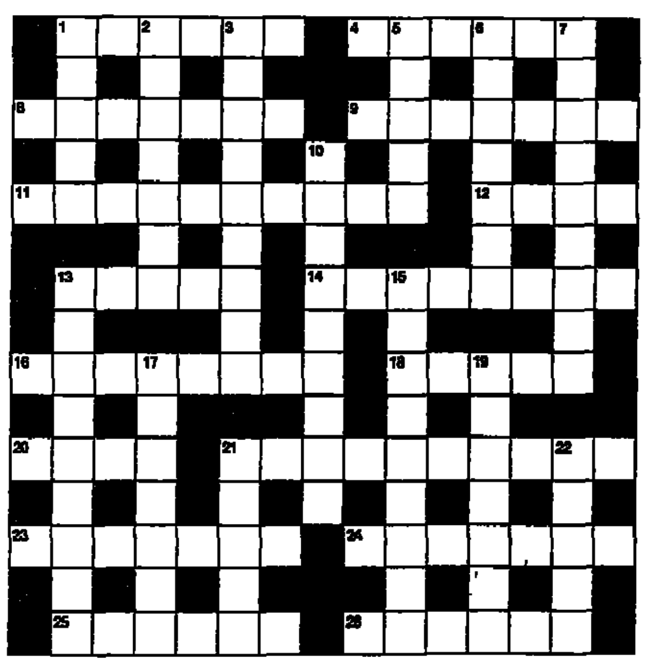
No.9,003 Set by GRIFFIN

ACROSS

1 Putting a couple of grand in his dish . . . . (6)
4 . . . . said what ruler did was wet (6)
8 Therefore luncheon voucher taken by Abraham is free (7)
9 In schools it's taught a broken leg needs support (7)
11 Travellers can start eating in moving trains (10)
12 Title of ballad old Penny included (4)
13 Which guides the local timber supplier (5)
14 Grating in an Indian sink is half missing (8)
16 Drink freely if left on a merry-go-round (8)
18 Chaste maiden originally spoken to (5)
20 Revise part of deed I typed (4)
21 Lady Swan gets rise son arranged for senior citizens (10)
23 Judge taking part in rare broadcast (7)
24 Is next to enter during the commercials (7)
25 Elegant groom said why (6)
26 Hint about leading Norwegian's dazed state (6)

DOWN

1 Weakness of one in swimming bath (5)
2 George, confess to being an adult (5-2)
3 Where doctor never sins (9)
5 Book eventually finished early (5)
6 No end of unwanted leaves (7)
7 Challenged wickedness of reckless person (9)
10 Calling for gent's leader to go sick (9)
13 Soldiers surrounded by dead men shivered and wandered around (9)
15 The rest stay up, looking embarrassed (9)
17 Abroad, Neil managed to sketch (7)
19 Telephoned job centre on arriving at capital (7)
21 Present sent off on vessel of iron (5)
22 Limits shooting practice here (5)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday March 7, marked Monday Crossword 9,003 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 11. Please allow 28 days for delivery of prizes.

Name..

Address..

....

Winners 8,991

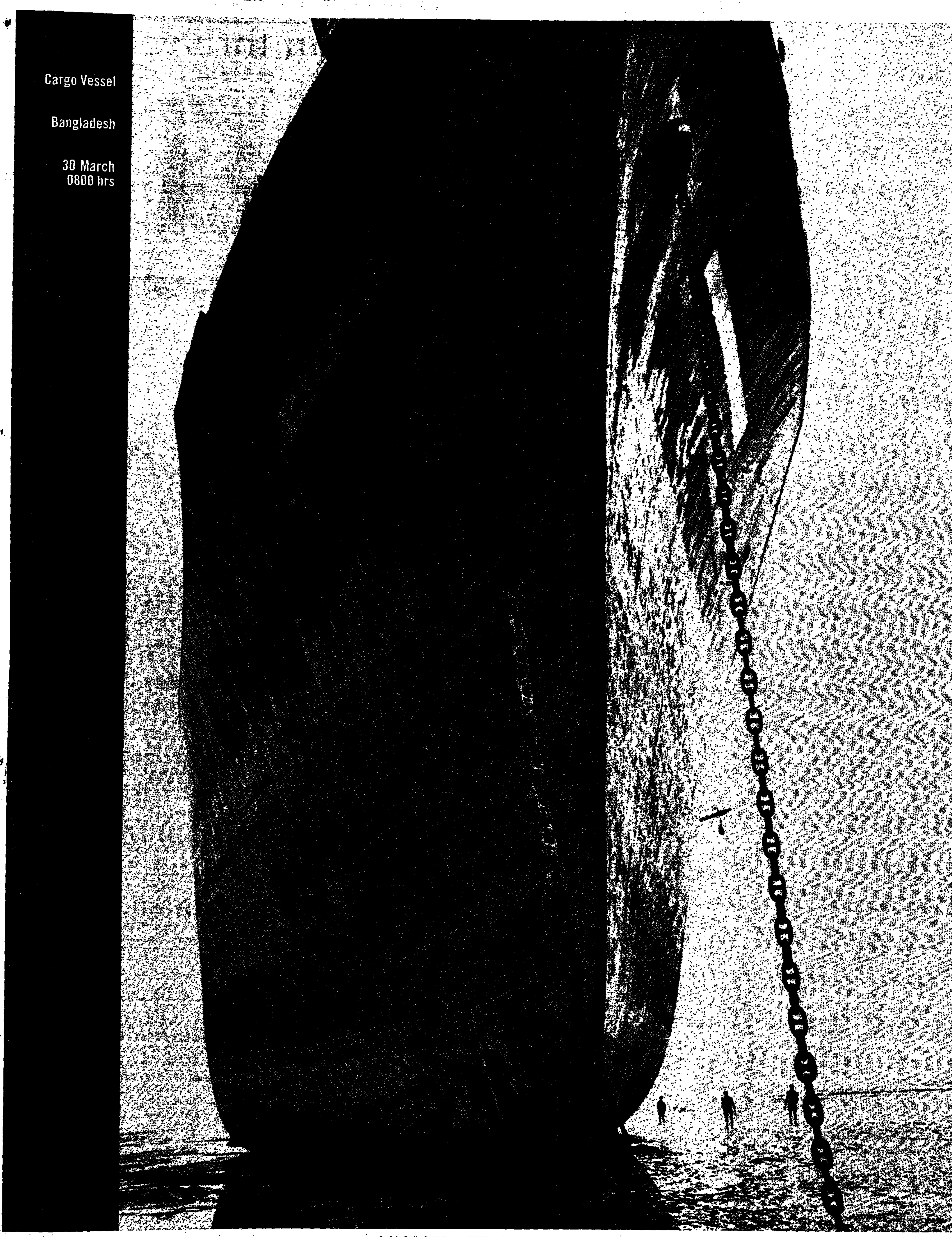
David Palmer, Bonn, Germany
Brian Candy, Maidenhead
Joe Fitton, Rochdale
J.W. Pratt, Newcastle upon Tyne
Mrs Zeyla Thompson, Bricket Wood, Herts
Gerald Walsh, Preston

Solution 8,991

O	F	F	S	P	R	I	N	G		R	I	D	G	E
U		A		E		N		A		I		O		X
T	E	N	O	R		S	C	R	I	P	T	U	R	E
E		T		I		T		B		E		G		R
R	E	A	S	O	N	A	B	L	E		C	H	I	C
		S		D		N		E		P				I
P	A	T	R	I	O	T		D	I	R	E	C	T	S
R		I		C						O		A		E
O	R	C	H	A	R	D		E	S	C	A	P	E	S
M				L		E		N		E		T		
I	B	E	X		N	I	G	H	T	S	H	I	R	T
N		X		U		C		A		S		V		H
E	X	T	E	N	S	I	O	N		I	D	A	H	O
N		R		I		D		C		N		T		R
T	R	A	C	T		E	V	E	R	G	R	E	E	N

JOTTER PAD

هكذا في الأصل



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MANAGEMENT

If information technology managers are to retain influence they must find a way of adding value, says **Vanessa Houlder**

The changing face of corporate IT

Information technology has profoundly changed the way that many business functions are managed. Now it is the turn of the corporate IT department to come under the management spotlight.

Large information systems departments are having to rethink their skills and structure in the face of new business pressures and rapid technological innovation. The degree of change "surpasses anything experienced since the first days of computerisation," according to Michael Earl, director of the Centre for Research in Information Management at the London Business School.

Part of the pressure to improve the management of IT comes from its chequered performance record. IT projects are infamous for technical failure, vast overspends and long delays. A study published by Chapman & Hall in 1994 found that between 30 and 40 per cent of IT projects realised no net benefits, however measured.

But the cynicism about IT's performance is tempered by a growing realisation that IT can produce impressive results, if skilfully managed. Some companies – although by no means all – have achieved marked improvements in productivity by redesigning business processes at the same time as investing in IT.

Moreover, many of the initial sceptics about the worth of concepts such as electronic mail and groupware have now been convinced by their ability to improve communications between different parts of the business and different time zones.

Indeed, in some quarters, the impetus for change in the systems function is less due to cynicism about its performance than renewed enthusiasm about IT. The widespread fascination with the Internet and its potential to reach new customers has opened the eyes of managers to the strategic potential of IT in sectors ranging from retail to banking.

Working in IT is possibly more rewarding and challenging than it has ever been. But IT specialists are faced with a daunting set of tasks, as they try to meet demands.

Some of these changing demands come from the breakneck pace of innovation in the IT industry and the accompanying changes in the industry's structure. For IT specialists, that means having to deal with more complex systems and more computer suppliers: spending more time in updating skills and putting more effort into forecasting, scanning and evaluating technologies.

Technological improvements and the falling costs of processing power are not unmitigated blessings for IT departments. The difficulty is that companies are rarely able to replace their "legacy" systems – the old software and hardware portfolios built up over decades – with new and more flexible systems.

The falling costs of IT often leave systems staff grappling with additional complexity, as they are asked to maintain the personal computers installed by department managers. Moreover, the rapid fluctuations in the fortunes of suppliers presents the risk that a corporate customer will be stranded with "unsupported" technology that is difficult to maintain or update.

But even when systems staff are able to keep up with technological change, they are finding that technical skills are no longer enough to be a good IT manager at senior levels. Increasingly, they are required to understand how IT adds value to the business, according to Simon Farmbrough, a partner of Boston Consulting Group. "For example, the question is not 'Have I put everyone on Windows 95?'. It is 'How does that benefit the business?'," he says.

But calculating the value of an IT investment is easier said than done. IT evaluation has proved difficult and controversial, since many of the costs and benefits cannot be easily anticipated.

Forecasting the impact of new technology can pose enormous difficulties. In some cases, an innovative approach to technology, together with creative business thinking, has created a powerful business advantage.

But in many other cases, the belief that an IT project will bestow competitive advantage proves to be wishful thinking. Although a technological investment may appear to have strategic purpose, it often proves difficult to translate the idea into reality.

The gap between expectations and reality is often particularly wide when the original vision for the project is provided by the chief executive. Expectations on the part of CEOs are often excessive, says Stephen Reiter of A T Kearney, the consultancy. "They [CEOs] keep reading things being accomplished by other companies, but there is a great deal of misunderstanding about what it took to accomplish them," he says.

Reiter's view of the difficult relationship between chief executives and chief information officers is widely shared by IT specialists. Charles Wang, chairman of Computer Associates, the US software company, argues that the strained, unproductive partnership between CEO and CIO is the cause of most of the frustration over technology. "CEOs love what they have been promised; they hate what they have been delivered," he says.

This gulf between the chief executives and technologists is not just a US phenomenon. When Computer Associates commissioned a UK survey of attitudes between technology executives and their "business" counterparts in finance, distribution, marketing, operations, R&D and personnel, it found evidence of traditional stereotypes.

For instance, most business executives thought that IT managers talked in technical terms and were carried away with the technology. A majority of IT managers thought that business managers were uncomfortable with IT terminology and insecure about asking technical questions.

But the relationship between technology executives and chief executives is most troubled in the US. Reiter says that, on average, a CIO stays in his job for just 2.3 years. Research by Deloitte & Touche found that around one-sixth of North American companies replaced their CIO in a single year. Of the CIOs who departed, a third or more were fired.

The hire-and-fire treatment of CIOs may make it harder for IT departments of US organisations to achieve results, according to consultants at Boston Consulting Group. They have recently carried out an international study comparing the performance of the IT management within insurance companies. It found that the US insurers performed markedly worse on six dimensions, ranging from identifying business opportunities to ensuring that business benefits are reaped.

"IT management in the US is extremely goal oriented. If things do not get better, they [the managers] are out," says Simon Bennett of Boston Consulting Group. "It takes longer than American CEOs allow to change the way those large organisations manage their IT."

By contrast, Sun Alliance of the UK, which was the best performing IT function they studied, took a relatively long-term approach to building up strong relationships between IT and the business.

Sun Alliance has taken a number of steps to integrate IT staff more closely with the other parts of its business. Recently, it has moved most of its 600 systems staff to work within the business units.

"We wanted to get the IT function closer to the divisions," says Tony Latham, managing director of general insurance at Sun Alliance. He says that he wants IT recruits "to see themselves as business professionals who have done an IT apprenticeship".

Sun Alliance also has a policy of rotating managers through the IT departments, as part of a management development process. "We have a much higher IT literacy than is usual at the top level," says Ian Hillan, divisional manager (systems).

By doing this, Sun Alliance has come close to realising the idea of "hybrid managers", a term that became popular in the early 1990s to describe individuals who combine computer literacy with business acumen and a flair for management. This combination of skills, it was argued, would propel these individuals on an accelerated path to the top.

Some examples of these successful hybrids exist. For example, Eugene Lockhart, a former information technology consultant, is now chief executive of MasterCard. But generally, IT shows little sign of becoming a fast track to senior positions. "IT will be a way to the top, but I don't think it will be as frequent or direct a path as provided by some of the other functions," says Rae Sedel of Russell Reynolds, the executive search company.

Some companies have interpreted the thinking behind hybrid managers in a different way: they have rotated an executive from another part of the business, such as finance, into the top IT job. This tactic rarely works, according to Reiter. "You still need people who are conversant with technology. They need to understand the nuances and have control," he says.

This point is backed up by research by Michael Earl and David Feeny, who is director of the Oxford Institute of Information Management at Templeton college. They found that the CIOs who added most value invariably came from the systems function; indeed, most have never had a job outside it.

"The research shows that it is those who have been transplanted from other areas of the business who have struggled, uncomfortable with the technology, unclear of their careers, and typically equipped to operate as forceful managers, rather than as bridge-builders and facilitators."

This "bridge-building" ability is an important factor in the success of some IT directors because it underpins several other facets of good IT management. CIOs who build good relationships with other executives tend to have a better understanding of the business and so find it easier to establish priorities and concentrate their efforts when it comes to building systems.

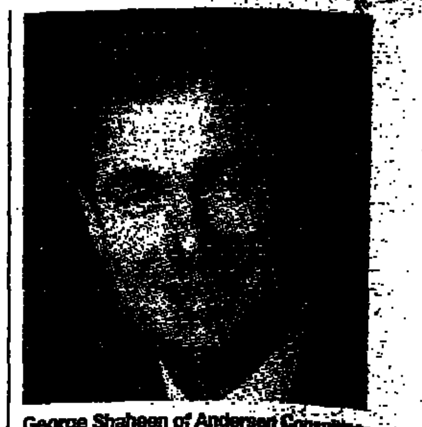
Conversely, if an IT department fails to build bridges and come to a joint agreement about priorities with other departments, it may have difficulty justifying its role. Contracting out IT to specialist companies has become a popular way of cutting costs and dealing with what is seen as a frustrating, non-core business.

Outsourcing is not the only factor that could weaken the influence of IT staff. A substantial shift in the relationship between users and specialists has been reported by organisations belonging to The Centre for Research in Information Management at London Business School and by the Centre for Information Systems Research at the Massachusetts Institute of Technology.

This shift is due to the emergence of what Michael Earl describes as the "power user", somebody capable of building their own models, displays and routines on PCs. These technologically sophisticated users may know more about the new world of IT – such as the Internet and the World Wide Web – than the IT specialists. Earl quotes one CIO as saying: "The users are now the innovators. We are the sweepers up."

This trend, which reinforces the extent to which attitudes to IT are changing, presents IT managers with both opportunities and threats. It underlines the increasingly essential role of IT skills in companies where IT is playing growing part in business strategy.

But as computer literacy becomes more commonplace, IT specialists will have no monopoly over these skills. If they are to retain their influence, they will have to demonstrate that IT can add value to the business.



George Shaheen of Andersen Consulting

Andersen leads the consulting bonanza

Management consultants do not always practise what they preach. Yet financial results from Andersen Consulting since its operational split from Arthur Andersen in 1989 look like a powerful endorsement of the current fashion to demerge.

Six years ago the consulting arm was a $1bn (£600m) business, very much under the direction and control of its older and better-known audit "cousin". Later today, however, Andersen Consulting will announce that 1995 worldwide revenues totalled $4.22bn, a 22 per cent increase on the 1994 numbers and more than four times higher than before it set out on its own.

Such growth from the undisputed market leader is striking evidence of the strong demand for management consulting in most leading economies at the moment. Generalisations are dangerous in such a fragmented industry, but one leading UK-based firm privately admitted last week that it is turning business away.

Like most of his rivals George T. Shaheen, Andersen's worldwide managing partner, is sensitive to jibes about downsizing. "We don't view ourselves as headslashers," he said in an interview last week. "In any case I think the emphasis today is on working "smarter", not on working with fewer people. Andersen Consulting is succeeding because we are delivering value to our clients through our people and our global reservoir of knowledge."

Shaheen lists customer satisfaction, supply chain integration and business processes as three top client issues of the moment. A breakdown of the 1995 figures by industry group shows the sharpest growth in communications (including telecommunications) – revenue up 57 per cent to $573m – with industrial products recording a 53 per cent jump to $487m.

Boasting a worldwide payroll of 38,000 people and almost 1,000 partners, Andersen stands out from the consulting pack by virtue of its sheer size. The firm plans to hire 8,700 recruits this year.

Its position and image in the industry, though, also stem from aggressive marketing and advertising with global expenditure on all forms of promotion exceeding $25m per annum. "We have changed the landscape of how professional service firms communicate with the market," claims Shaheen.

The Andersen chief, moreover, foresees little let-up in the rate of expansion and predicts another "robust" year of 20 per cent revenue growth. At a meeting in Mexico City last week of the firm's global management council (comprising the top 50 partners) his advice to colleagues was "to keep nimble, be bold and keep adding market place value". Competition, he concedes, is tough from the likes of hardware manufacturers such as IBM "who now realise that the power in technology is not the technology itself but how it is put to work in the enterprise".

Shaheen also cites the growing industry trend towards "gain sharing" – the tendency for fees to be linked, in part at least, to the proven results of a consulting project. "Increasingly clients are showing interest in this approach," he observes. "The market place seems to be a believer."

Tim Dickson

The danger of long-distance shopping

Lucy Kellaway

As I stood in John Lewis at the weekend waiting to pay for some rufflette tape I noticed a young man in jeans who appeared to be having an involved conversation with a rack of curtain rails. On closer inspection he turned out to be talking into an ultra-slimline mobile phone. "I can't see exactly the one you want," he was saying. "They've got lots with remote controls."

This man was clearly at the leading edge of shopping technology. The hand that was not clutching the mobile was flitting over a large selection of little black control boxes which, at the touch of a button, close your curtains for you. But this did not seem to be doing much for his Saturday morning. "I don't think they've got it. Look. I'm telling you. IT'S NOT HERE." He stuffed the phone into the pocket of his leather jacket and walked off.

I thought of him again that very afternoon, when I was wheeling my trolley around the supermarket. Here was another man, a bit older and a bit fatter, doing exactly the same thing. If anything, he seemed to be having an even more stressful time. I first came upon him at the chilled counter. "The deep dish chicken lasagne is £2.59 ... I can't see a price on the Cumberland Pie," I heard him saying as I threw a few ready-made meals into my trolley and wheeled on. By the time I had reached the checkout he had progressed only a few yards to the eggs, and was debating egg sizes and barn fresh versus free range.

New technology is a dangerous thing when it gets into the wrong hands. Sometimes it may save labour, but as often as not it does the reverse. Shop on your own, or shop together if you must, but to shop long distance makes the process a nightmare for everyone. Except, of course, for Vodafone, Mercury, Orange, Cellnet etc.

Still on the subject of shopping, why is it that in the ultra-flexible, just-in-time, customer-is-king days it is impossible to buy a pair of children's gloves in mid February? It may be snowing outside, but as far as retailers are concerned it is spring, summer even. Could it be that our sophisticated shops are missing a trick? Never mind the electronic data interchange with suppliers, never mind the efficient consumer response and all the other jargon about streamlining the supply chain. If I were M&S, The Gap, Mothercare, Next etc I would look out the window, or better still phone up the Met Office and order a few scarves and mittens to sit alongside the shorts and bikinis.

I have just been sent an invitation to attend a conference called "Hiring and Firing Senior Executives – how to handle sensitive, complex and high value disputes concerning dismissed executives". The programme looks unmissable, complete with role plays of the dismissal interview and analysis of the precise determination of the severance package, the tax implications, the announcement to the Stock Exchange and so on. Most companies could learn a good deal from this. But one company that in particular might take heed is the Independent newspaper, which has recently done a very un-model sacking of its editor. But then evidently it thinks otherwise. It is sponsoring the event.

One day last week when there was the thinnest powdering of snow on the ground – just enough to bring British Rail to a near standstill – I found myself jammed into a train with not enough elbow room to open the FT. I tried to read my neighbour's Guardian over his shoulder but he was turning the pages too quickly. That is, until he came to the double-page Benetton ad. There he stopped and stared, and half the compartment did likewise. The picture showed a group of beautiful smiling men and women in little lovey-dovey clusters. What caught my attention was not just the "clever" Benetton gimmick of making them wear straitjackets over their Benetton jeans. It was the unfortunate resemblance to Michael Jackson at the Brit awards, which I had seen on the telly the previous night. There Jackson had tastelessly posed as God in a long white robe surrounded by children, and here was Luciano Benetton also clad in white standing barefoot on a box with his underlings leaning their cheeks against his chest in poses of loving adoration.

Part of me felt like baring my bottom as Jarvis Cocker did at the Brit awards. But good sense prevailed; instead there is an obvious lesson here that I am surprised other companies have not followed. Why haven't they copied this exhibitionist treatment and learnt how to mesmerise a whole train compartment themselves? Surely a similar group of ICI or British Gas executives and employees could also be photographed in a stunning but unsettling tableau of togetherness.

But as a picture came to my mind of Richard Giordano and Cedric Brown standing barefoot in straitjackets cuddling their underlings, I started to have second thoughts ...

BUSINESS EDUCATION

Della Bradshaw talks to Kellogg's dean, Donald Jacobs, about his past successes and new alliances

With one eye on the future

At 68 years old most people would have retirement in their sights. Not so Donald Jacobs, dean of the Kellogg graduate school of management at Northwestern University, just outside Chicago. For him it is still business as usual.

"It's very hard to leave a job you enjoy so much," smiles America's "dean of deans", a title he has earned over 20 years in the job. During that time he has transformed Kellogg from a run-of-the-mill business school into one of America's finest. He was one of the first deans to introduce a dedicated residential centre for executive courses and fostered the idea of team-working at a time when business study was largely seen as a solitary activity.

He is the longest serving dean "by a long shot" of any of the leading American business schools. "They forgot to fire me and I forgot to go," he jokes.

At a time when the tenure of many US deans is on the wane, Jacobs is relaxed about his position. Most of his peers, he says, are under tremendous pressure from their governors and advisers if the schools do not perform well in the business school rankings. Consistently appearing at the top of the lists – the school was ranked number two by BusinessWeek in its 1994 survey and was top of the list two years earlier – Jacobs claims to have only one problem – "having 6,000 more applicants than I need for the 490 places on my MBA course".

A tea-drinking vegetarian who swims every day, Jacobs is now geared up for his latest venture – an MBA course for experienced executives in Europe, to be run as a joint venture with IAE (Institut d'Administration des Enterprises) in Aix-en-Provence, France.

The two-year course is aimed at executives with at least 10 years' experience and each year they will study for three weeks in Aix-en-Provence and one week at the Kellogg campus at Evanston, Illinois, where European students will mix with their US counterparts. There will also be weekend study in Brussels, looking at European issues such as lobbying.

The course will be in English with 50 per cent of the course run by Kellogg staff, 50 per cent by IAE staff. Executives earn a double MBA.

Each applicant will be interviewed and 20 to 30 accepted for the first course in January 1997 – there will be 60 on subsequent courses. "They will be from many different backgrounds and industries," says Olivier Tabatoni, associate dean at IAE.

Tabatoni and Jacobs believe the Kellogg-Aix executive MBA programme could not have happened 10 years ago because faculty did not have the appropriate attitude to globalisation nor experience in teaching executives. "Now we have a faculty that knows how to work with executives. We do it all year round," says Jacobs. At any one time Kellogg has more than 400 students studying weekend courses and all Kellogg's executive education courses are sold out for the whole of 1996 and 1997.

Jacobs hopes that he will be one of the instructors on the Kellogg-Aix executive MBA, lecturing in corporate governance – if his teaching is deemed up to scratch. Both Kellogg and IAE operate a system of student assessment of faculty teaching skills, a system Jacobs introduced at Kellogg to encourage his research-orientated staff to improve their teaching skills. Academics, he points out, can be particularly competitive.

He acknowledges that student comments are important to him, too. This term he is teaching two courses at Kellogg – half the workload required from the full-time teaching staff. The first is in corporate governance, the second a group-based project on the European single currency.

Students are split into a number of groups with two groups representing each European country. Each group then prepares a presentation saying why the single currency would be good or bad for their country.

"I think I'm going to get a good grade on this one," he reports.

Donald Jacobs, America's 'dean of deans', is hoping to be in the classroom next year teaching European executives

Application beats aura

Della Bradshaw investigates the qualities of a successful dean

With business school bosses under increasing pressure from students and corporations alike, what is it that makes a successful dean?

The answer, according to research conducted by the Lancaster University Management School, is twofold: the best deans are those who listen to their faculty and students; and they are those who work hard.

"The most successful are those that have a close understanding of their own school," says Allan Bolton, school administrator at Lancaster. "They are those who said they spent the first six months to a year after their appointment listening to their faculty and students."

Many outside appointments are "shooting stars" who are keen to impress the business world but are frequently out of touch with their own faculty, he says.

The other ingredient is simply hard work. Those deans who achieve most in the fundraising stakes, for example, put their success down to application rather than charisma.

The Lancaster research, to be published shortly, is based on interviews with 17 business school deans, 10 in the US and seven in Europe. The schools selected were an above average set of accredited institutions, including the University of Chicago, IMD, the London Business School and Kellogg.

Schools on both sides of the Atlantic had similar attitudes to the organisation but they differed in response to their students, and in particular alumni, according to the research. "In the UK we still think of alumni as the people who left last year," says Bolton. In the US alumni are fêted as a future source of revenue and business contacts for the school.

Bolton concludes that the real headache for deans on both sides of the Atlantic is how to implement their vision in an academic world where inaction is endemic. "The deans all wanted to be champions of change and that is never a very comfortable role to perform in academic circles."

SPORT / ARCHITECTURE

The Big Red Steamroller

Keith Wheatley describes Manchester United's brand power

Predicting great things for Manchester United is scarcely a high-risk option for a sportswriter. Favourites to win the FA Cup, slip-streaming behind Newcastle in the English Premiership division and with a near-certain place in next season's expanded European Cup, it looks like business as usual for the Big Red Steamroller.

Ah, you may think, Wheatley has heard a whisper from the Old Trafford boardroom and is forecasting good news in next month's interim results.

Not quite, although chairman Sir Roland Smith may well have news to match last year's doubling of annual profits to £20.8m.

Recent announcements from United have seen the company's share price leap 30 per cent in only two weeks. At a closing price on Friday of 245p, the club was valued just short of £150m.

The first piece of news was the announcement of a new kit and merchandising deal with Umbro worth an estimated £60m during the next six years. That deal alone more than doubles the previous biggest comparable contract in British football, that between Liverpool and Reebok.

Even more significant than the money itself was the degree to which Umbro sought a renewal of its contract with United, even though the existing arrangement had two years to run.

In fact, Nike, the American sportswear giant, was making the running with some big numbers. It wants very much to be an important player in English soccer.

"We considered three options," says Martin Edwards, chairman of United. "One was a major multi-brand sports goods manufacturer. We also considered doing the operation ourselves and we looked at Umbro, who are football specialists. They have also proved to us over the last four years that they are the most effective sports brand in the football marketplace."

With respect, Mr Edwards, you are wrong. Umbro is just a shirtmaker, the image-delivery system. Manchester United is the important brand name, with a reach far beyond sport.

"United is probably one of the strongest brands in the UK, right up there with Marks and Spencer or Heinz," says analyst Nigel Hicks of brokers Panmure Gordon. Hicks has specialised in the club's business fortunes since it floated nearly four years ago.

The second boost to United's recent stock market fortunes was publishing. Last week the club announced a multi-media deal with the magazine and video publishers VCI. Existing magazine and book formats were bought out from the club for £2.5m.

On top of that came a guaranteed minimum of £3.5m (possibly a great deal more) in advance royalties from videos and other more hi-tech formats.

Philosophy from Eric Cantona on CD-Rom, or Ryan Giggs teaching corner-kicking technique via video disc, could be with us before the 1996-97 season.

Plans are already well advanced for every piece of Old Trafford minutiae, from player profiles to manager Alex Ferguson's thoughts for the day, to be published in almost every conceivable way.

"The agreement with VCI will enable the high quality of Manchester United videos, books and magazines to be maintained and will also enable United to benefit from developing formats such as video disc and CD-Rom," says Martin Edwards.

Last week, club merchandising director Edward Freedman said he envisaged the future in terms of consolidating and protecting the brand rather than breaking through into new areas.

Really? It seems a modest ambition for United, trail-blazers since their debut on the stock market. Last week, an item from California also caught my eye: Disney is planning a $2bn re-vamp of its somewhat tired Disneyland theme park.

Central to the make-over is the role of the increasingly successful Anaheim Mighty Ducks ice hockey team, their home rink being a crucial component of the new mix of pleasures at Disneyland.

Whether it is a backstage tour or a home game, Michael Eisner, Disney's chairman, is known to believe that the barriers between sport and show-biz entertainment are tumbling.

So what price a similar development at Old Trafford? Surely the technology that puts the punters centre-stage in *Backdraft* or *Back to The Future* at the hugely popular Universal Studios in Hollywood could make a paying visitor the scorer of the winning goal for Manchester United in, say, the 1968 European Cup final? Or take him on a virtual reality night out in a *circa* 1971 Manchester nightclub with George Best?

"One can certainly conceive of a Manchester United theme park," agrees Nigel Hicks. Warming to the idea, he went on to suggest a Manchester United hotel, behind the new North stand, with direct links to the executive boxes and hospitality areas.

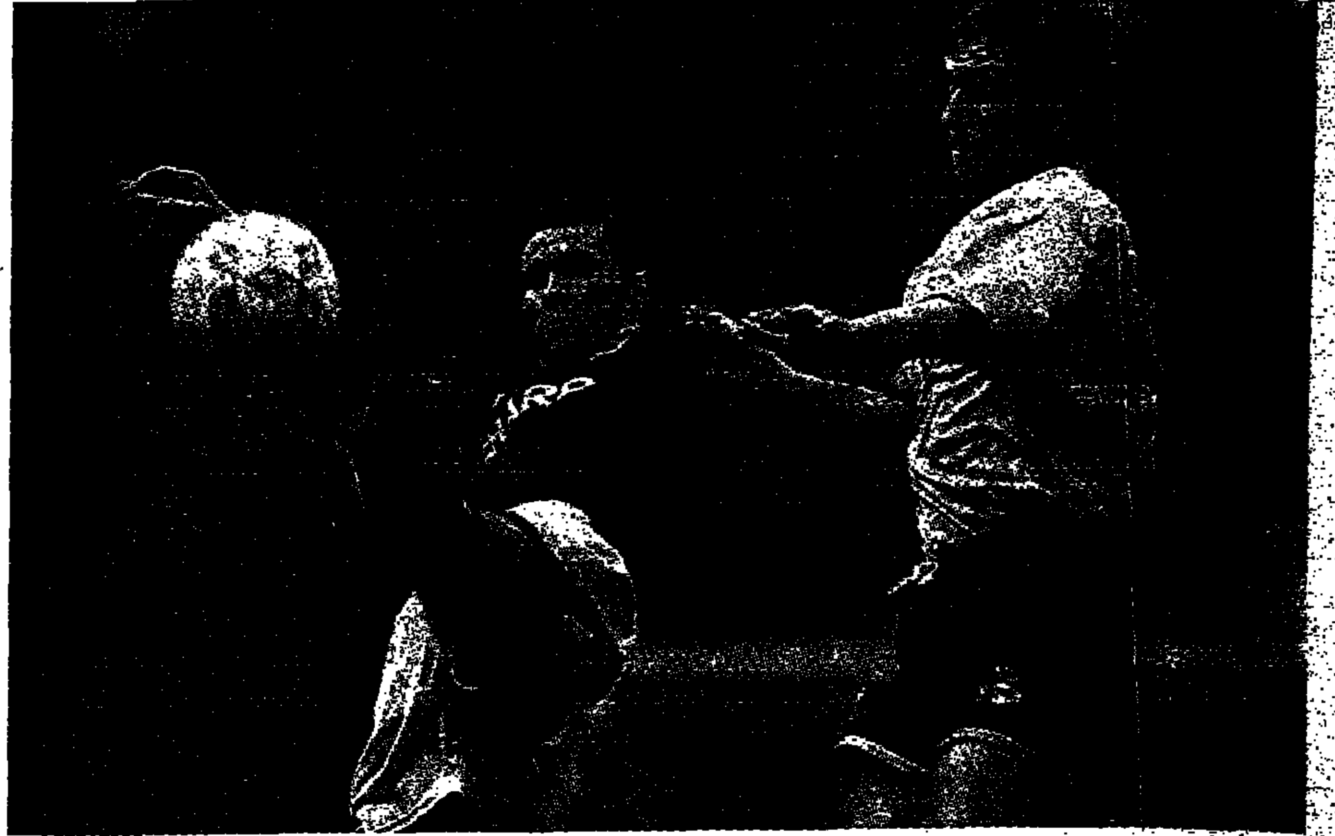
"It would be a natural extension of what corporate supporters already pay for," he says. Behind the massive bulk of the new stand is a good deal of empty land, now owned by the club and ear-marked for no specific purpose.

These ideas may seem fanciful. Yet only five years ago the idea of the stock market valuing a football club at £150m or more would have seemed outlandish.

Should a football visionary stand on the roof of United's new stand, the most visible landmark he would see is the bright red Granada sign on the roof of the television company, where the soap opera *Coronation Street* has been transformed into a visitor attraction more profitable than making programmes.

Having digested Forte and turned itself into one of the world's leading hoteliers, anything seems possible for an entertainment conglomerate like Granada.

If this was the US, investment bankers would be shouting "synegy". Never say never in football.



Freeze frame: Ryan Giggs (left) on video disc could be with us before the 1996-97 season.

Atlanta, anonymity and America's airports

Giant magnolia trees and greenery may transform the blandest arrivals hall, writes Colin Amery

I see a nightmare coming. On a brief visit to Atlanta, Georgia, I experienced the complexities of the preparations for the centennial Olympic Games. The sense of foreboding is almost palpable: people in Atlanta are talking about life before and after the Olympics as though they were about to be hit by a hurricane.

They are uncertain whether normal life can ever be resumed. Perhaps when it all happens in July the euphoria, and the hype, will carry everyone through it, but the effect on Atlanta will be irrevocable.

There is more to Atlanta's predicament than the pending arrival of the world's sporting community. Atlanta is a city that experienced 17 per cent growth in size and population last year alone. It has boomed throughout the recession years, and is now a victim of its own success.

Complete dependence on the car has caused a 40 per cent growth in Atlanta's traffic in one year. The department of transportation estimates that Atlanta experiences in a single year the kind of car growth that most cities experience in 10. The consequences are obvious: highway construction feeds the growth, 16-lane highways are turned into 22 lanes, multi-storey car parks surround new buildings and the average family has three cars.

But it is not only cars and traffic that are ruining the city. A mobile population cannot create any sense of place. For a visitor – and there will be millions in July – trouble starts at the airport.

There seems no architectural solution to the scale and anonymity of the ubiquitous international airport. In Atlanta the airport is so vast that a small train transports passengers from concourse to concourse while another transports their luggage – often in the opposite direction. You are dependent on the disembodied automated voice and the sign system. You haven't arrived anywhere recognisable – you are literally moved from A to B to C.

Look at the relief when friends and families recognise faces waiting to meet them. It is a similar relief to feel heat or cold when you emerge from the controlled world of the airport into the chaos of the surrounding roads.

Your visual experience of the airport is limited: it is neither conditioned nor inspired by architecture but by signs and symbols. That little drawing of a suitcase gets you to the baggage claim. That figure with his legs apart or the one in the stiff skirt gets you to the lavatory. The flickering lines on the TV monitors lure you towards the right flight.

There is often a terrible sense of betrayal when the signs peter out – somehow the gate numbers don't tally, or the travelator takes its human cargo beyond the spot they want to reach.

I have just been through 10 airports in as many days. Most of the American ones are an anonymous blur. What impresses is their scale and the length of the walk from aircraft to luggage. Only two stay in the mind. First, the Charlotte/Douglas international airport, which has begun to solve the problem of anonymity by the appointment of an airport horticulturalist.

Her name is appropriately Joy, and her policy is a wise one of trying to bring nature into the air-conditioned nightmare of the airport. Not for her the boring rows of *ficus Bejamina*, that small-leaved fig tree universally loved for its virtual indestructibility. Instead, Joy has tried inside and around the airport buildings to introduce the greenery and colour of the Carolinas by planting on a massive scale.

Her work is highly successful and is comparatively inexpensive as a way of greening the airport. It also brings the indigenous into the world of the anonymous – something airports in smaller and poorer countries do, perhaps by default.

The little airports of the Caribbean islands may lack sophisticated air conditioning, but their pink-washed walls and wrought ironwork and waving palms give the traveller a sense of arrival.

How much more preferable it is to arrive at Washington DC's Union station than to hang around in the giant shed that passes for the arrivals hall of Washington's National airport. At this airport for the capital of the world's most powerful country, you stand under contemporary "mobiles", which resemble white sheets drying.

At Union station, however, all is not perfect because the magnificent waiting hall is now a shopping mall. But it has been well done, and although the few trains are subservient to ommerce, the vaulted hall wih its imperial statues remais in all its splendour. Arrival by train brings you ino the city; arrival by air brings you into an unplanned libo devoted only to ceaseless novement.

Our forms of trasport, personal and public, now make up the framework of ur lives. In a city like Atlant the formlessness and lack o landmarks and of any real sese of place is depressing and callenging. Yet landscape arcitects can help save our citiesby greening them.

As architecture becomes more and more anymous and uniform througout the world, it is time for serious revival of the indigenus species. The giant magnda trees of Atlanta make a fine, more appropriate backgroun to the Olympics than more exmples of architectural blandnss.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey Natl Treasury 6¾% Gtd Nts 2004 C$67.50
Allied Domecq 10⅝% Bd 1999 £531.25
Banco Quilmes 12¾% Sb Neg Obligations 1998 $637.50
Bradford & Bingley Bldg Scty Sb FRN 2005 £188.45
CS First Boston Gtd Sb FRN Aug 2003 $30.15
Commonwealth Bank Australia FRN Feb '99 $306.77
Do Dated FRN Feb 2000 $306.77
Do Und FRN Feb 1989 $313.10
Daiei 6⅜% Bd 2000 Y637500.0
Daikin 6.35% Bd 1999 Y635000.0
Delyn 8p
Denmark (Kingdom of) FRN 1998 £188.55
Export-Import Bank Japan 8⅜% Gtd Bd 2001 $418.75
Fin Danish Ind Int Gtd Step-Down Nts '96 A$55500.0
Fujita Inv Gtd FRN 1996 $1603.79
Goldsborough Healthcare 2.7p
Halifax Bldg Scty FRN 1997 £174.32
Hampson Inds 0.55p
Jersey Elec A 25p
Lloyds Eurofin Gtd FRN 1998 £87.48
Marubeni Int Fin 6.4% Ser A Bd 1997 Y6400000.0
Mitsubishi Fin FRN 2000 $24777.22
Municipality Fin 11.55% Gtd Nts 1999 FM115500.0
Nipon Sanso 6.4% Nts 1997 Y640000.0
Do 6.4% Nts 2000 Y640000.0
Norsk Hydro 9¾% Nts 2003 £97.50
Sanwa Fin Aruba Gtd Sb FRN Ser 3 $883.91
Siam Syntech 4½% Cv Bd 2002 $45.0
State Bank New South Wales 12¼% Nts 2001 A$122.50
Sweden (Kingdom of) 9¼% Bd 1998 $462.50
Tokai Fin (Curacao) 9⅛% Sb Gtd Bd 2001 $456250.0
Do Und Gtd FRN Y1271507.0
Treasury 10% 2001 £5.0
Yorkshire Water 9.1p

■ TOMORROW
Dwyer Estates 0.8p
Lonrho Fin 6% Gtd Bd 2004 £30.0
Masthead Ins Underwriting 1.6p
Mosaic Invs 0.5p
Savills 0.75p
Toray FRN 1997 Y17489.0
Treasury 9¾% 2002 £4.875
Vega 1.75p

■ WEDNESDAYFEBRUARY28
Aberdeen Tst 1.8p
Bankers Inv Tst 1.13p
Bank of Montreal C$0.36
Canadian & Foreign Sec C$0.70
Danae Inv Tst 3.375p
Derby Tst 10.7232p
Ecclesiastical Ins 13% Db 2018 £6.50
Exmoor Dual Inv Tst 1.6p
Fleming Int High Inc Inv Tst 1.15p
Gartmore Brit Inc & Growth Tst Geared Inc 2.1p
Do Units 2.1p
Gibbon 7% Cv Pf 3.5p
LPA Inds 0.88p
Legal & Gen Fin 6.84% Bd 2001 £1.71
Legal & Gen Recovery Inv Tst 2.2p
London Int 0.5p
London & St Lawrence Inv 5% Pf 1.75p
OLIM Cv Tst 4.5p
Do Units 13.5p
Parkland 4.2% Cm Pf 2.1p
Prowting 14½% Pf 7.25p
Sanyo Elec FRN 1998 Y18767.0
Slimma 1.3p
Sumitomo Bank Int Fin Gtd FRN Aug 2006 $3278.75
Do Gtd FRN Aug 2007 $3278.75
TR Far East Inc Tst 7% Db 97/02 £3.50

■ THURSDAY FEBRUARY 29
Bank Nova Scotia Fltg Rate Sb Db '85 $303.33
Brad & Bingley Bldg Scty FRN 1996 £167.48
Burtonwood Brewery 0.9p
CLM Insurance 1.27p
Cater Allen Equity Growth Fd Ptg Pf 6.5p
Cater Allen Gilt & Fxd Inc Ptg Rd Pf (Gilt Inc) 9p
Do (High Yld Gilt) 20p
Chase Manhattan Sb FRN 1997 $154.83
City of Oxford Inv Tst 1.3p
Collateralised Mort Sec (7) A2 Mtg Bckd FRN '28 £121.17
Do Class A3 Mtg Bckd FRN 2028 £178.66
Do (8) Class A3 Mtg Bckd FRN '33 £177.92
Contra-Cyclical Inv Tst 2.25p
Dunyat Inv Tst Cv Monthly Div 0.49p
Excalibur 11½% Cm Pf 5.75p
Fleming Geared Inc & Assets Inv Tst 0.75p
GT Japan Inv Tst 0.4p
Gartmore Smaller Co's 5% Cm Pf £1.75
Geared Inc Inv Tst 2p
Glasgow Inc Tst 1p
Halifax Bldg Scty Clrd FRN '03 £352.86
Hamlet 2.2p
Hill Samuel Fin FRN 1998 $308.65
Horner Fin (2) Class A Mtg Bckd FRN '30 £106.39
Do Class B Mtg Bckd FRN 2030 £210.99
Honda 5¼% Cv Bd 1996 $131.25
Do 5½% Cv Bd 1997 $137.50
Ivory & Sime ISIS Tst Cv Anne 6.5p
Jasmin Cv Un Ln 1999 66.5p
Lloyds Bank Prim Cap Und FRN (Ser 2) $153.25
Do (Ser 3) $302.60
Lloyds TSB Var Rate Sb Nts 2003 £178.08
Merchant Retail 5% Pf 2.5p
Morgan Grenfell Und Prim Cap FRN $319.13
Murray Emerging Econ Tst 1p
NHL (1) Defd Int Mtg Bckd FRN 2028 £10.04
Nat West Bank Prim Cap FRN Ser C $151.67
New Zealand Inv Tst 2.25p
RPH 4½% Un Ln 2004/09 £2.25
Do 9% Un Ln 1999/2004 £4.50
Regby Gtd FRN Aug 997 $15558.47
Do Gtd FRN Oct 1997 $4591.67
Do Gtd FRN 1996 $15558.47
Reliance Security 1.75p
Royal Bank Canada Fltg Rate Db 2005 $44.81
Seiyu 7¼% Cv Bd 1996 £36.25
Southend Property 0.68p
Standard Chartered Sb FRN 1996 £83.60
TMC PIMBS No 1 Aug 2030 £168.03
Do Seventh Class A No 8 Aug 2031 £67.62
Do Class B No 8 Aug 2031 £182.20
TR City of London Tst 1.42p
Do 20% Non-Cm Pf 7p
Do 6% Cm 1st pf £2.10
Do 6% Non-Cm 2nd Pf 2.1p
Temple Bar Inv Tst 6% Cv Un Ln 2002 £3.0
3i Int Gtd FRN 1999 £168.41
Tomkinsons 8p
Wells Fargo Sb FRN 2000 $45.31
Woolwich Bldg Scty Sb FRN 2001 £3989.02

■ FRIDAY MARCH 1
Aberdeen (City of) 10.8% Rd 2011 £5.40
Aberforth Smaller Co's Tst 3p
Aberforth Split Level 2.1p
Do Units 2.1p
Ahmanson (HF) $0.22
American Brands $0.50
American General $0.325
Assoc British Foods 4.5p
Barclays Non-CM $ Pf Ser C1 $0.4219
Do Ser C2 $0.1406
Do Ser D1 $0.4313
Do Ser D2 $0.5625
Do Ser D Pf Units $0.575
Beales Hunter 2.9p
Bearing Power 1.25p
Birmingham Mid Bldg Scty 9⅜% Pm Int Brg £46.875
Boeing $0.25
Coventry Bldg Scty 12⅛% Perm Int Brg £60.625
East Surrey Water 10% Rd Db 1997/A £5.0
Firth Rixson 0.7p
Fleming Claverhouse Inv Tst 2.15p
Fleming Inc & Cap Inv Tst 1.2p
Do Units 1.2p
Floral Street 1p
Ford Motor $0.35
Grainger Tst 5p
Greencore IR7.7p
Halifax Bldg Scty 8¾% Perm Int Brg £2187.50
Do 12% Perm Int Brg £3000.0
Ingersoll-Rand $0.185
Inspirations 2.8p
Kewill Systems 3p
London (County of) 2½% Cons £0.625
Do 3% Cons £0.75
Low & Bonar 6% 1st Cm Pf 2.1p
Do 6% 2nd Cm Pf 2.1p
Do 5½% 3rd Cm Pf 1.925p
Lucas 6½% Cm 1st Pf 2.275p
Met Water Board Met Water 3% B 1934/2003 £1.50
Mexico 16½% Ln 2008 £8.25
Oldham Met Borough Council 11¼% Rd 2010 £5.625
P & O 3½% Db £1.75
Do 3½% 2nd Db £1.75
Raglan Estates 10¼-11¼% Stppd Int 1st Mtg Db '12 £5.625
River Plate & Gen Inv Tst 5% Cm Pf £1.75
Sainsbury (J) 8% Ird Un Ln £4.0
Schneiders (S) 6% Cm Rd Pf 2.1p
Security Services 4½% Pf 1.575p
Slough Estates Cv Rd Pf 4.125p
Thames Invs (No 2) One-way FRN 1997 $295.75
Thorn EMI 10.5p
Transcanada Pipe 16½% 1st Mtg Pipe Bd 2007 8.25p
Treasury 8¾% Ln 1997 £4.375
Union Carbide $0.1875
Williamson Tea 10p
Witan Inv 8% Db 1996/98 £4.0
Do 6¼% Exch Gtd Bd 2008 £31.26

■ SUNDAY MARCH 3
Conversion 9% 2000 £4.50

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Grainger Tst, 57, Grainger Street, Newcastle upon Tyne, 12.30
BOARD MEETINGS:
Finals:
Abbey National
Acorn Computer
Brewin Dolphin
Card Clear
HSBC
ISA Int
Lilleshall
Midland Bank
Zotefoams
Interims:
Cash Converters
Community Hospitals
Gartmore Scotland Inv Tst
Honeysuckle
Johnson Fry Utilities

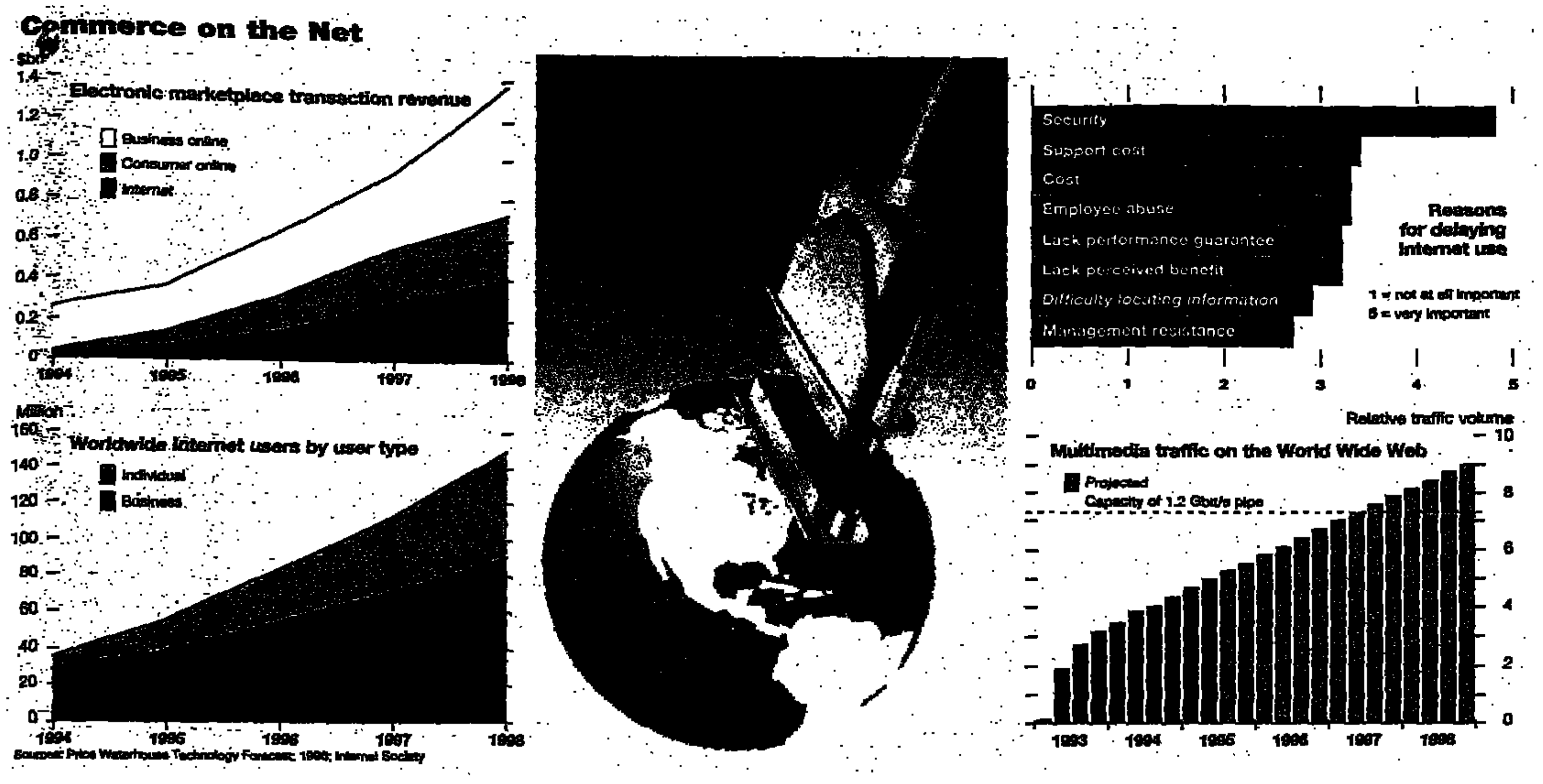
■ TOMORROW
COMPANY MEETINGS:
Bradstock, Hyde Park Hotel, 66, Knightsbridge, S.W., 12.00
Murray Emerging Economies Tst, 7, West Nile Street, Glasgow, 12.30
BOARD MEETINGS:
Finals:
Barclays
Capita
Dixon Motors
Domnick Hunter
English & O'seas Props
General Accident
NTV Group
Irish Permanent
London Finance & Inv
Scottish Eastern Inv Tst
Sleepy Kids
Telegraph
Union
Wimpey (George)
Interims:
Fleming Enterprise Inv Tst
Pifco
River & Mercantile Smaller Co's
Sinclair (Wm)
TR European Growth Tst

■ WEDNESDAY FEBRUARY 28
COMPANY MEETINGS:
Holmes & Marchant, Brands House, Kingshill Road, High Wycombe, Bucks, 10.00
Lonrho, Barbican Hall, Barbican Centre, E.C., 11.00
New Zealand Inv Tst, 12, Carthusian Street, E.C., 12.30
PWS, 52, The Minories, E.C., 12.00
BOARD MEETINGS:
Finals:
Assoc British Ports
BICC
Capital Shopping Centres
Inveresk
Leslie Wise
Regina
Sema
Standard Chartered
Interims:
Alliance Resources
B2W Convertible Inv Tst
Henderson Eurotrust
Johnson Fry Euro Utilities
Pacific Horizon Inv Tst

■ THURSDAY FEBRUARY 29
COMPANY MEETINGS:
British Building & Engineering Appliances, Kempson House, Camomile Street, E.C., 11.30
Celltech, Merchant Taylors Hall, 30, Threadneedle Street, E.C., 11.30
BOARD MEETINGS:
Finals:
British Aerospace
Burford
Cantab Pharmaceuticals
Cowie
Green Property
Lasmo
Life Sciences Int
Serco
Trancatlantic
Interims:
Bellwinch
Isotron
Jos
SEET

■ FRIDAY MARCH 1
COMPANY MEETINGS:
Kunick, Park Lane Hotel, W., 11.00
Richards, Broadford Works, Maberly Street, Aberdeen, 10.00
Trencherwood, Foley Lodge Hotel, Stockcross, Newbury, Berks, 11.00
BOARD MEETINGS:
Vega Finals:
Braime (TF&JH)
Second Market Inv Co
Spargo Consulting
Interims:
Cornwell Parker
Ecu Tst
Go-Ahead Grp

Company meetings are annual general meetings unless otherwise stated. Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.



Net's rivals feel the squeeze

A quiet revolution is transforming global electronic trade, writes **Alan Cane**

The value added networks (Vans) such as GEIS and Advantis that have made possible and sustained the world's electronic commerce during the past decade are already at risk from the Internet, according to an industry forecast.

"The Internet's rise as a viable conduit for electronic commerce has initiated a re-examination of the contribution of the Vans that were previously relied on for electronic data interchange and other services," according to the latest issue of Price Waterhouse's *Technology Forecast*.

"Remarkably lower transmission costs and the ubiquity of the Internet tempt many companies to consider it a viable alternative."

The *Technology Forecast*, a panoramic sweep through today's electronics, from chip designs to video compression software, has in the space of a few years changed from a hastily compiled crib for Price Waterhouse's partners and customers to a glossily produced and authoritative volume.

This year, special themes include electronic commerce and the influence of the Internet. Electronic commerce, the forecast says, has become a worldwide phenomenon, reshaping marketplaces, trading relationships and international trading boundaries.

Eric Berg, director of technology analysis at Price Waterhouse's technology centre, says: "We envision that complete business processes will be automated using electronic document interchange – everything from the request for bid to the shipment notice to the payment will be carried out electronically, eliminating the need for paper and reducing costs."

How much will costs be reduced? It costs up to $100 (£64.90) to produce and process a paper invoice and payment, the *Forecast* says, compared to less than $10 for electronic alternatives.

Electronic commerce technologies such as electronic document interchange have been available for some time through Vans operators. Revenues for more than a dozen, including General Electric Information Services, Sterling Software, Advantis and Electronic Data Systems are rising rapidly. Marketing consultancies are predicting between 24 per cent and 40 per cent compound annual growth rates.

But use of the Internet offers substantial savings, it seems. According to BIS Strategic Decisions, a technology consultancy, the cost of EDI over the Internet in only 10 to 30 per cent the cost of using a conventional Van.

Security, however, remains an important concern. According to the *Forecast*: "Transmitting sensitive account information such as credit card numbers over the public Internet sets corporate treasurers and experienced information technology managers, and many decline to extend the services offered on their Web sites beyond product catalogues to actual transactions."

It would be, according to the respondents to a survey, "just plain foolish" to provide credit information online.

There are, however, a number of developments in cryptography which may change the perception of the Internet as fundamentally insecure as early as 1998.

The *Forecast* suggests that software developed by RSA Data Security of the US will be the cryptography method of choice for most Internet-based systems.

There is evidence, however, that interest in using the Internet for electronic commerce may have already overtaken penetration of EDI. One survey in early 1995 found that one-third of more than 500 respondents were already using the Internet for electronic commerce. Half of them said they would be using the Internet by the end of 1995. Other studies suggest that Internet-based sales will grow by more than 2,000 per cent by the end of 1998.

Meanwhile, conventional Vans operators such as Advantis, GEIS and Stirling will be forced to change into corporate Internet EDI providers. "Their business models," the *Forecast* warns, "will be severely tested by the economics of the Internet."

The *Forecast* sees no end to the growth of the Internet: "Once higher bandwidth is available, perhaps through cable companies, the growth will be explosive in nature because sound and video clips will be delivered in real time."

The price of online service time will decline due to greater competition for customers, it says, and desire for faster online performance will stimulate demand for ISDN digital telephony (a technology capable of transmitting multimedia sound and images) in the US. More demand for this higher-speed digital equipment will lower costs as volumes increase, it predicts.

The key to all this is the World Wide Web, the fastest growing part of the Internet, which provides links between pieces of information held on separate and remote computer databases. "The WWW will continue its phenomenal growth. The transparent ability to click on a world, phrase or picture that directs the network browser to the next location is an extremely important metaphor."

It goes on: "The WWW is quickly turning the Internet into an online shopping mall. Services, ranging from online shopping to instantaneous automobile traffic updates, are providing businesses with new and innovative ways to reach customers."

The forecasts predict a sound future for online services which embrace the open standards of the WWW, but are gloomy about prospects for others.

"Independent online ventures not also providing access to the Web will have a tough time succeeding," it is said.

Figures quoted in the *Forecast* suggest that the total size of the US consumer online services market, including the Internet, was only $1bn in 1994, with the prospect of growing to $2bn in 1995 and almost $9bn by 2000, representing about 40m subscribers to online services compared with 7m today.

All this will lead to renewed interest in ISDN as a telecoms technology, the *Forecast* says, suggesting that the US has become the world's fastest growing ISDN market.

"ISDN standards are beginning to take hold. Consumers and schools appear to be interested in telecommuting and in fast connections to the Internet and in online services."

Pricing, however, is confusing. The industry is waiting to see if the telephone companies will be successful in marketing ISDN to residential, educational and business customers before other high data rate alternatives become available.

Price Waterhouse Technology Forecast: 1996 is intended for PW professionals and their clients.

DIY Web pages take toll in man hours

Tim Jackson wrestles with Navigator Gold

The inventor of the World Wide Web, Tim Berners-Lee, made an interesting observation recently during an interview on America's national public radio. Asked what he thought of the commercial monster his creation had become, Berners-Lee said mildly that it disappointed him in only one respect. The Web was proving less popular than he had hoped as a medium for individuals to publish information.

Six months from now, Berners-Lee's disappointment may be redundant. There are several programs on the market that make the design of Web pages as easy as word processing.

Cognoscenti insist that it was hardly taxing before; Wired magazine recently reported on the rise of what it called WAW – waiter/actor/webmasters, who found a useful source of short-term income in public fear of *html*, the hypertext mark-up language used to define Web pages. But a sharp new impetus towards personal publishing on the Web has come from Netscape, maker of the world's most popular browsing software.

A month ago, the Silicon Valley software firm released a new version of its Navigator program which includes a Web page editor that allows individuals to create their own Web pages just as they would prepare a letter using a word processor.

Navigator Gold 2.0, as the package is called, is still beta testing. To encourage customers to try DIY Web publishing, the company has run a contest with a gold rush theme in which the best designed page produced with the new program will win $5,000 (£3,246). Entries closed yesterday; prizes will be awarded next week.

Netscape has persuaded some big Net service providers in the US to offer easy ways for customers to get their Web pages up.

When I noticed a provider offering a month's site rental for $1, and boasting customers could book themselves up in an hour, I could resist no longer. But one hour proved to be an underestimate.

Last Tuesday evening, I spent a couple of hours putting together the text of a rudimentary Web site. That involved neither fancy graphics nor digitized voices, but an archive of recent FT columns, several links to Web sites that might interest readers, and a puff for my newly published book and a conference I am helping to organize.

On Wednesday morning, I downloaded the Navigator Gold software – a gigantic file of three megabytes, which would take an hour or more on some modems. Unfortunately, the software would not work, and three anguished calls to Netscape yielded the conclusion that my PC had a virus. However, a friendly developer e-mailed me a clean version of the program, and I was ready at 7pm to turn the text into functioning Web pages.

Although Navigator Gold is conceptually simple to use, the public Beta 1 version runs at a snail's pace and is riddled with bugs. Lloyd Tabb, the developer in charge of the project, said that his slogan in writing software was "crawl, walk, run, fly" – and described the current program as "run". After the 17th crash of the evening, I felt that "crawl" was more appropriate. By 3am the job was largely done.

Five hours later, I was awake again and ready to send the finished pages to a service provider where they could be stored and finally made available to other Net users.

But that proved more difficult than expected. The instructions given on Netscape's home page conflicted with those of Concentric, the service provider. It required three conversations with a Concentric technical support person to establish that the only way to upload the files was a mixture of both approaches.

It was nearly midnight on Thursday before the files were in place and readily accessible. The experience, close to 30 hours of work, left me warily cynical about Net service providers and beta versions of programs, and admiring the enthusiasts who managed to enter complex, well-designed Web pages complete with all the latest bells and whistles.

But there is no doubt that Navigator Gold is the kernel of a great idea. It opens up the possibility that ordinary, non-expert people will be able to check the Web after dinner, find something interesting – and make some change to their own Web sites before the coffee is finished, using a "one-button publish" feature.

If this idea becomes a reality, it will tilt the balance of power on the Web back towards individuals. Sites will become less commercial and more spontaneous.

Browsing and "authoring", as the US phrase has it, will become the same exercise. And Netscape's program will continue its progress to becoming an all-purpose gadget serving as an intermediary between the user and the Net, incorporating not only "authoring" but also e-mail, telephony and video-conferencing.

Navigator Gold will probably become a stable program suitable for people like me in three months. By the summer, people who hardly know one end of a computer from another could be comparing notes on their personal websites over the dinner table. And Berners-Lee, thoughtful man that he is, will see his wish come true.

Tim.Jackson@pobox.com

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 25.02.96: Pool purchase price £/MWh	Final Prices for Trading on 28.01.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.68	11.11	11.11
0100	7.03	28.82	31.43
0130	7.03	28.82	31.43
0200	7.03	41.50	44.11
0230	7.03	41.50	44.11
0300	7.03	41.50	44.11
0330	7.03	41.50	44.11
0400	9.68	27.34	29.95
0430	8.16	22.17	24.77
0500	8.98	22.17	24.77
0530	8.98	23.93	26.54
0600	8.98	23.93	26.54
0630	8.98	23.93	26.54
0700	8.98	23.93	26.54
0730	8.98	23.93	26.54
0800	8.95	23.93	26.54
0830	8.89	23.90	26.54
0900	8.96	23.93	26.54
0930	9.00	23.93	26.54
1000	9.16	23.93	26.54
1030	9.68	23.93	26.54
1100	6.03	23.93	26.54
1130	6.03	27.53	30.14
1200	6.03	34.62	37.23
1230	6.03	36.26	38.86
1300	6.03	36.26	38.86
1330	6.03	34.62	37.23
1400	6.03	30.16	32.77
1430	6.03	25.05	27.66
1500	6.03	25.05	27.66
1530	6.03	25.05	27.66
1600	9.60	25.05	27.66
1630	9.18	12.27	12.27
1700	9.16	12.45	12.45
1730	9.16	29.35	31.97
1800	16.12	45.17	47.79
1830	18.73	45.16	47.79
1900	25.77	49.31	51.92
1930	25.77	49.28	51.90
2000	25.77	31.08	33.69
2030	16.31	29.39	32.00
2100	15.20	29.39	32.00
2130	15.20	29.39	32.00
2200	14.92	25.05	27.66
2230	9.68	25.05	27.66
2300	9.16	25.05	27.66
2330	9.16	25.05	27.66
2400	9.08	11.11	11.11

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 26.02.96: Pool purchase price £/MWh	Final Prices for Trading on 29.01.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.68	25.05	26.62
0100	15.23	25.05	26.62
0130	27.17	29.23	30.80
0200	27.17	29.23	30.80
0230	15.23	29.23	30.80
0300	15.23	29.23	30.80
0330	15.23	28.29	29.86
0400	15.23	26.09	27.65
0430	6.03	26.09	27.65
0500	6.03	25.05	26.62
0530	9.01	24.45	26.01
0600	9.06	24.45	26.01
0630	9.16	24.49	26.07
0700	12.53	36.82	39.25
0730	12.83	48.93	54.97
0800	13.82	79.26	89.02
0830	13.97	104.47	117.66
0900	14.43	138.60	155.58
0930	15.10	158.80	177.07
1000	15.60	165.23	183.77
1030	15.65	156.37	173.83
1100	15.54	149.35	167.09
1130	15.50	168.38	188.54
1200	15.58	189.82	212.09
1230	15.22	186.81	209.09
1300	14.74	165.58	188.03
1330	13.03	126.62	143.31
1400	12.86	109.25	123.57
1430	12.81	94.72	106.70
1500	12.78	91.58	102.19
1530	12.77	87.71	97.99
1600	13.03	78.09	78.09
1630	13.91	215.37	248.11
1700	17.89	470.70	533.33
1730	24.15	595.65	661.67
1800	34.25	528.98	585.78
1830	38.70	304.22	343.31
1900	35.03	160.22	180.24
1930	23.77	113.66	126.62
2000	16.70	64.04	71.13
2030	14.14	48.21	49.79
2100	13.86	40.95	43.38
2130	12.84	38.75	40.60
2200	12.80	37.96	39.59
2230	12.51	33.89	35.46
2300	9.68	25.32	26.89
2330	8.60	9.35	9.35
2400	9.16	9.13	9.13

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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Pioneering skein of fibre optics to span Denmark

By Alan Cane

Denmark claims to be one of the world's first countries to establish a national information superhighway. Tele Danmark, the country's largest telecoms operator, will this week present a nationwide optical fibre network 5,000 kilometres in length, using the advanced transmission technology called asynchronous transfer mode (ATM).

ATM, which at its fastest allows voice, data and moving video images to be transmitted at speeds of more than 600m bits a second, is believed to be the technology best suited to interactive communication and multimedia.

It is suited to organisations that have only intermittent requirements for high transmission capacity and which would find the cost of a fixed high-capacity line onerous.

However, ATM is still in its infancy. In the US less than 1 per cent of established computer networks use the technology, partly because it costs more than slower networking technologies such as Ethernet.

Tele Danmark, 51 per cent owned by the Danish government, has not only wired up Denmark but has extended ATM links to Stockholm in Sweden and Oslo in Norway. Soren Jensen, Tele Danmark's managing director says: "We felt the time was ripe for a network that can serve businesses which have Scandinavia as their main market.

"From our customers' point of view, 60 per cent of all domestic and international data traffic can now use the ATM standard. Within a couple of years we expect to have full and compatible connections to Germany and the UK".

Other countries will be watching Demark's ATM initiative. It is one consequence of a broader project, Infosociety 2000, which aims to provide Denmark with the world's lowest priced and most efficient telecoms services.

According to Tele Danmark, easy and cheap access to the large transmission capacity provided by ATM "pipes" will spur the development of new ways of doing business and running organisations.

It suggests that for heavy telecoms users, savings of 20 per cent or more a year are possible. It gives the example of a company headquartered in Copenhagen with subsidiaries in, say, Aalborg, Vejle and Odense. Most of the time, it needs only 4m bits a second capacity. Every so often, however, it needs 34m bits a second capacity to all locations.

A conventional fixed 34 megabit circuit would cost Dkr 1.5m (£174,000) to install and DKr 7.2m a year to run, a total of DKr 8.7. An equivalent ATM circuit would cost only DKr7.9m, it says. Uses include the transmission of medical images from hospital to hospital, business video-conferencing, and transmission between local area networks without delays due to data bottlenecks.

US editors hold the home page

By Steve McGookin

Newspaper publishers are increasing their efforts to capitalise on the growth in the market for online services by developing more sophisticated interactive products.

Indeed, many established electronic publishers hope that the coming 12 months will see their online activities promoted from experimental to revenue-generating.

The medium which newspapers are overwhelmingly choosing for their online forays is the World Wide Web, rather than a proprietary platform or partnership arrangement with a commercial online service.

"The Internet is the arena where the battle for online newspaper readers is going to be fought," says David Richards, president of online company InfiNet.

A survey of 190 US daily and 205 weekly newspapers with circulations over 30,000 by Kelsey Group and *Editor & Publisher* magazine showed that 44 per cent of dailies and 51 per cent of weeklies have a Web site. More significantly, of those that did not, 81 per cent of dailies and 46 per cent of weeklies said they planned to have one within the next year.

The seventh annual survey, announced on Friday at the Interactive Newspapers '96 Conference in San Francisco, showed that 93 per cent of dailies plan specific exclusive content for their Web sites.

About a quarter of dailies and more than half of weeklies said they already charged readers for access to their online offerings, or that they intended to. However, only two of the companies that responded to the survey said their Web sites were generating more than $100,000 (£64,935) a year.

Chris Jennewein, of US newspaper chain Knight-Ridder, said his company was committed to putting all its daily papers online by 1997. Eight already have Internet editions, and two are being added each month. "The aim is that all but the smallest will charge for content," he said.

According to Steve Outing, electronic newspaper consultant and columnist, more than 800 newspapers worldwide now have online editions, up from only 100 at the start of 1995.

The majority are US-based, but as of last month there were more than 200 European newspaper publishers with electronic services. The Kelsey study echoed recent research by the University of Zurich and the European Newspaper Association indicating that the main reason for publishers to get involved in interactive services was to protect their position as the leading information source in their market.

Another consideration was the hope of extra revenue, primarily from advertising. According to recent research by advertising agency McCann-Erickson, US newspapers' ad revenues were $36.4bn in 1995 or 22.5 per cent of total ad spend, down from 23.1 per cent of total US advertising spend in 1994.

Colin Philips, co-publisher of *Editor & Publisher*, said that 1996 was already seeing the first ad budgets set aside for new-media advertising.

And a survey by the American Press Institute of more than 270 journalists on US papers found that 59 per cent of editors and 56 per cent of reporters believed their daily jobs would change radically in the next five years because of the development of online delivery systems.

BUSINESS TRAVEL

Lost in the weekend wasteland

Amon Cohen has trouble getting his laundry done at hotels

There can be few frequent travellers who have not at some time been caught in the weekend washing wasteland.

It is a familiar predicament, particularly for anyone who takes a long-haul trip after a long, hard Friday at the office, having hastily thrown some dirty laundry into a suitcase first thing that morning.

The traveller has a conference to attend on the Sunday morning or a meeting on Monday, so on arrival at the hotel on Saturday afternoon, the first question is what time he or she can have their laundry cleaned and returned.

Almost always, the answer is that the dirty washing will not even be collected until Monday morning – and returned later that evening. If it is a public holiday weekend, the laundry could be returned as late as Tuesday evening.

The traveller now faces a dilemma: attend the appointment in a crumpled and slightly aromatic state, or spend the weekend soaking shirts in the bath and drip-drying them on the line above it. The traveller is then obliged to comb the hotel in search of an inferior iron that obstinately refuses, even on its hottest setting, to remove creases but happily distributes scorch marks in conspicuous places.

An arbitrary survey of hotel laundry services suggests that most hotels are in the weekend wasteland. The exceptions are the trophy hotels, such as London's Savoy, which not only offer a seven-day service but have valets who can take a limited amount of washing and launder it in a few hours.

"There are a few other hotels, such as Inter-Continentals and the Hilton London on Park Lane, which have a valet service, but you need to know which they are," says Mike Gates, director of central services at travel agency Hogg Robinson. "It is important to have a good travel agent who can give you this sort of information, because it is difficult to be sure which offer them and which do not."

It is also sometimes the case that a good four-star or even three-star hotel will wash a shirt in an emergency. Holiday Inn says it could do so if necessary.

But perhaps business travellers should have the right to expect a more comprehensive laundry service, especially when they pay such high prices. As Andrew Solum, travel manager of Inmarsat, the global telecommunications group, puts it: "Getting a pair of socks laundered can cost more than you pay for the socks in the first place."

One group attempting to rectify matters is ITT Sheraton, which found that inadequacies in its laundry service were frequently mentioned in guest response surveys. It recently improved its laundry service at six of its European airport properties (two at London Heathrow, plus Luxembourg, Frankfurt, Brussels and a new hotel at Paris Charles de Gaulle).

In addition to the usual same-day service (laundry submitted first thing in the morning is returned that evening), these hotels now offer "express" and "overnight express" options.

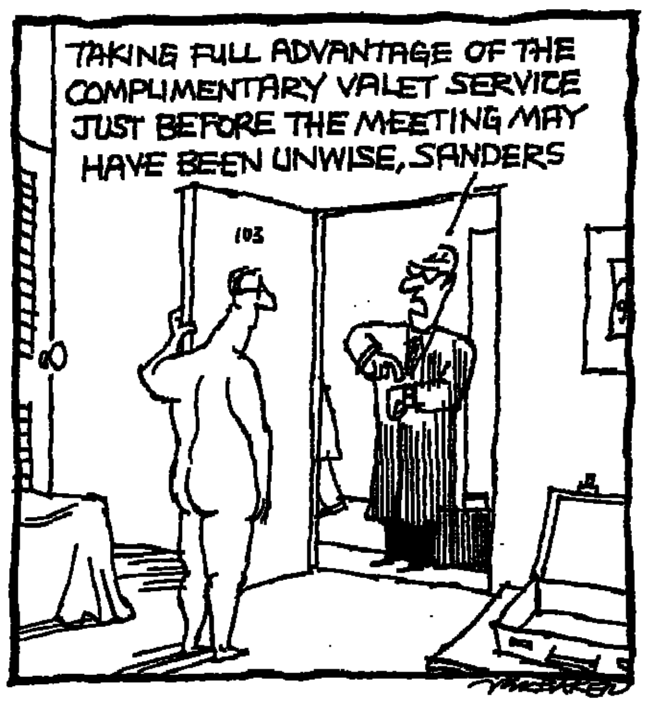
With the former, laundry submitted between 7am and 6pm is returned within four hours. "Overnight express" guarantees that laundry taken between 6pm and 10pm will be returned by 7am next morning, or later if requested.

That is the good news. The bad news is that rapid turnround has to be paid for. Whereas Sheraton charges a standard £4.20 to wash and press a man's shirt, its fee for express service is £6.30 per shirt, and a remarkable £8.30 for overnight express.

Other innovations at Sheraton's airport hotels include reduced rates for three- and seven-hour stopovers, and provision of a racily named free "transit survival kit", which includes toothbrush, T-shirt, face cream, slippers and other toiletries.

In addition, Sheraton is introducing what it calls "body clock cuisine", a selection of menus which it claims are designed to help guests adjust to new time zones and combat flight fatigue. In essence, this means the hotels will provide breakfast, lunch or dinner at any time between 8am and 10pm daily.

If the programme is a success, the laundry service in particular could be extended to other properties.



Meantime, Andrew Solum, who is also vice-chairman of the London branch of the Institute of Travel Management, advocates another solution. Although he would like to see hotels offering a speedier service, he recognises that many hotels may find this is not economically viable.

But he has just returned from a lengthy tour of the southern hemisphere. In Australia and New Zealand he found that a growing number of hotels have installed self-service launderettes for guests.

"Quite frankly, I would rather go and wash my own knickers than have someone else do it. I don't like 1,000 other people washing my underwear," he says.

For those happy to have strangers handling their smalls, perhaps hotels could have one person staffing the launderette to provide service washes.

With the emergence of in-hotel launderettes and valets, there is thus a slight chance that weekend corporate travellers will be able to go about their business looking and smelling clean. For the rest, it looks as though carrying a packet of Travel Wash and a portable iron remains the best solution.

Conference organisers on the cyberhunt

Wandering around hotel function rooms with a click of the computer mouse may take some getting used to, but for busy conference organisers it could be the way of the future.

At an exhibition in London this week, Hilton International will step up the battle to attract business meetings by launching a CD-Rom directory which not only carries full descriptions and colour photographs of 162 hotels in 50 countries, but shows exactly where to plug in the projector. There are video clips of almost half these hotels.

Hilton believes its CD-Rom is the first seen in the cut-throat world of conference hosting. Andrew McCulloch, head of research and development, says that to package this much information in a space-saving form that can be constantly updated "transforms what we can offer the customer".

If customers call up the downtown Vienna Hilton from an alphabetical list, for example, users may click to one of a series of maps showing its location, then zoom in for a detailed street plan.

They will find that the Vienna Hilton is only a short step from the stock exchange, and – should they suffer an excess of that deceptively unhinging new wine known as *heurige* – the hospital. Conference organisers might be drawn to the Metternich room, where they will find details of its capacity and a map showing power points, light switches, even chandeliers.

For the geographically illiterate, there is a world map showing cities with Hiltons which organisers may arrow in on. Using this during a test search proved a little quicker than travelling by Concorde, but perhaps rather slower than digging out the atlas.

All this information – floor plans, for example, and data on facilities such as fitness centres and distance from the airport – can be printed out.

Hilton's CD-Rom will be available free from March 11.

Roger Bray

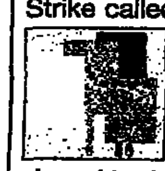
Confex, an exhibition for conference planners, is at London's Earls Court, February 27-29.

Hong Kong shivers

A winter snap in Hong Kong has killed at least 21 people, prompting the government to distribute blankets and set up emergency shelters. The colony is experiencing its chilliest weather in 46 years. Normally hot and humid, Hong Kong shivered all last week in near-freezing temperatures, dampening the lunar new year holiday, and frost dusted the hilltops.

The British colonial government sent out blankets to street sleepers and elderly people living alone, and said it had established 17 shelters for people seeking refuge from the cold.

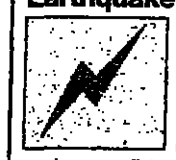
Strike called off



Finland's air traffic controllers' union has called off a strike planned to start this week, after accepting the state mediator's compromise on pay increases, union officials said.

The union was one of the few labour groups that insisted on an agreement separate to last November's central wage accord.

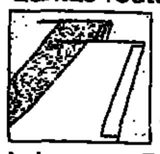
Earthquake warning



Indonesia must prepare for the possibility of more earthquakes and a possible eruption of the Krakatau volcano, an Indonesian minister warned.

The death toll from the recent tremor in the Irian Jaya region had risen to 102, an official said. "We must prepare . . . because according to the experts Mt Krakatau may erupt at any time, although we cannot predict exactly when," he added. Mt Krakatau, located between Indonesia's Java and Sumatra islands, exploded in 1883, triggering tidal waves that killed more than 36,000 people.

Qantas route confirmed



Confirmation of a draft ruling giving Qantas, the Australian airline, rights to two more Boeing 767-300 services a week to Indonesia has been announced. Qantas has indicated these services will operate from Brisbane or Melbourne.

● Australia's government last week issued an unprecedented warning to Australians about security in London following two recent IRA bomb blasts that killed three people.

Australians travelling to London, or living there, were advised to "maintain a high level of personal security awareness". It was the first time Australia had issued a travel advisory about London, said the foreign ministry.

Road safety fears

There was some bad news recently for business travellers (and others) who race around the roads of Europe.

Europeans, especially Italians, have a reputation for driving like maniacs – and a new road safety report confirms it. After two decades of decline, motoring accidents climbed 3 per cent in 1994 in western Europe, and more than 7 per cent in central and eastern Europe, the European Conference of ministers of transport said.

Their study did not specifically examine the role of speed and recklessness in causing crashes, but ministers expressed worry that deaths rose where they should not have – in places like Austria, the Netherlands and Switzerland, where roads are good and well-maintained.

"The progress achieved in safety over the years is precarious," the Paris-based group's report warned. "The road casualty toll still appears much too high in human as well as in economic and social terms." Although car crashes rose by 3.2 per cent in western Europe in 1994, the most recent year for which figures were available, deaths dropped by 4 per cent to 51,700, the lowest fatality count since 1970.

A few western European countries improved their safety records. Crashes dropped 6.7 per cent in Portugal and 3.5 per cent in both Belgium and France. Those three countries, along with Spain, also saw fewer road fatalities in 1994.

In central and eastern Europe, the number of crashes dropped sharply between 1988 and 1990, but in 1994 there were more accidents than ever in both regions, the ministers said. Accidents rose 7.4 per cent, overall injuries rose 6.7 per cent and deaths increased 3 per cent. "This trend admittedly reflects wider access to travel by car and the increasing shortcomings of road infrastructure," the report said.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	14	15	14	[illegible]	[illegible]
Hong Kong	15	16	17	16	15
London	6	[illegible]	9	[illegible]	[illegible]
Frankfurt	8	6	4	4	3
New York	11	14	[illegible]	[illegible]	[illegible]
L. Angeles	13	15	17	16	[illegible]
Milan	6	[illegible]	9	11	[illegible]
Paris	8	9	10	8	7
Zurich	[illegible]	8	6	[illegible]	[illegible]

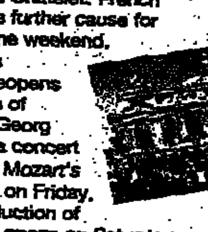
Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

ARTS

OPENINGS

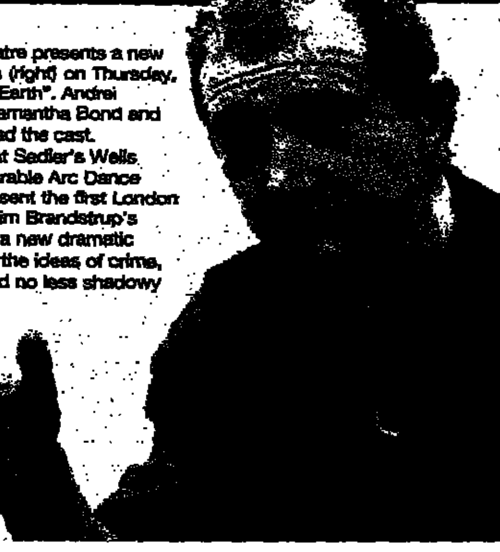
PARIS
A retrospective of the great French landscape painter Jean-Baptiste Camille Corot (right) opens on Saturday at the Grand Palais, marking the bicentenary of his birth. Comprising more than 150 works, it will be complemented at the Bibliothèque Nationale by a selection of his prints and sketches.
Roberto Alagna stars in a new production of Verdi's "Don Carlos" tomorrow at the Châtelet. French opera fans have further cause for celebration at the weekend, when the Palais Garnier (right) reopens after 18 months of refurbishment. Georg Solti conducts a concert performance of Mozart's "Don Giovanni" on Friday, and a new production of "Così fan tutte" opens on Saturday.



ATHENS
Ruggero Raimondi, the outstanding Don Giovanni of recent times, is in Athens this week to direct a new production of Mozart's opera at the Megaron concert hall. The conductor is Gustav Kuhn, and the cast includes prizewinners of an international competition entitled "The Quest for Don Giovanni". First night is on Saturday.

CHICAGO
The Royal Academy of Arts has organised an exhibition of work by contemporary British architects, which opens at the Art Institute of Chicago on Friday. Sponsored by the FT, the exhibition consists of architectural drawings, models and photographs of buildings designed by Sir Norman Foster, Nicholas Grimshaw, Richard Rogers and others.

LONDON
The National Theatre presents a new play by David Lan (right) on Thursday, "The Ends of the Earth". Andrei Serban directs; Samantha Bond and Michael Sheen lead the cast.
On Tuesday, at Sadler's Wells Theatre, the admirable Arc Dance Company will present the first London performance of Kim Brandstrup's "Crime Fictions", a new dramatic piece inspired by the ideas of crime, shadowy truth and no less shadowy lies.



THE HAGUE
Following its highly successful showing in Washington, an exhibition devoted to the work of Johannes Vermeer (right) opens at the Mauritshuis on Friday. Although Vermeer is known to have produced only 35 paintings, he is considered one of the great masters of the Golden Age of Dutch painting.

A grandiose vision from Hollywood: Paul Sorvino, James Woods and Anthony Hopkins in Oliver Stone's 'Nixon'

All the world's on its stage

The Berlin film festival, offering its richest programme yet, is set to outdo Cannes and Venice in the global movie calendar, reports Nigel Andrews

After decades of mediating between two halves of a divided country, the Berlin film festival now does the same for opposite ends of the world. The opening film *Sense And Sensibility* set the tone, a Jane Austen tale directed by a Taiwanese-American. After that the competition was evenly distributed (allowing new token spaces for Europe) between the realms of the rising sun and the land of the sinking dollar.

Hollywood sent to Berlin most of its superstar division, plus their new films, including Travolta, Tarantino, De Vito, Bruce Willis, Jodie Foster and Sally Field. Clearly nervous that the world sees it today as a place seized by snow, debt and electoral black comedy, America's movies were about sunshine, money and high political drama.

Oliver Stone's *Nixon* is a grandiose vision of the man who brought great deeds and misdeeds to the White House, with Anthony Hopkins superb as a jowly modern Macbeth.

John Travolta capers nimbly through *Get Shorty*, an Elmore Leonard crime comedy set in Hollywood. And even darker US movies like Robert Rodriguez' *From Dusk Till Dawn* (Harvey Keitel and Quentin Tarantino fight Aztec vampires) and Tim Robbins' *Dead Man Walking* (Death Row drama with Susan Sarandon and Sean Penn) seemed to be persuading us that all is well and decent in the USA, provided you stay away from prison and/or the paranormal.

All these films open soon in Britain, where they will receive further review space. Edward Yang's *Mahjong* and Yim Ho's *The Sun Has Ears*, from the less saleable East, may have to fight for arthouses. Yang's Taiwanese comedy is the best film yet from a director who used to give us slabs of existentialism in the Antonioni mode. He has now become an accomplished social satirist. He understands both the crackpot visions of youth – in the central group of boy-gangsters who try to hustle everything that moves, from girls to passing US or European businessmen – and the myopia of a materialistic Taiwan ripe for take-off. The images are perfectly poised, like chess moves come to life. And the dialogue runs to cherishable daffiness like the ageing courtesan's boast, "Every man who's kissed me now drives a Mercedes."

The Sun Has Ears is a violent love story, blending political and personal destinies in the tale of a village woman who deserts her husband for a young warlord in strife-torn 1920s China. No coincidence that it looks and sounds at times like a Zhang Yimou film. Its screenwriter wrote *Red Sorghum*, its cameraman shot *Raise The Red Lantern*. But many scenes bear the increasingly distinctive signature of its Hong Kong director Yim Ho. As in his last movie *The Day The Sun Grew Cold*, melodrama is defused and emotional focus intensified by a sardonic miniaturism. Even the cooking scenes, a Yim speciality, serve to heat up the erotic symbolism while also persuading that these are real people leading real lives.

Caught between far-flung ends of the earth, Britain's movies seemed somewhat disoriented. Having looked east with a Taiwanese director's version of Regency England, the country looked west with two mid-Atlantic products in *Richard III* and *Restoration*.

In the Shakespeare movie, updated to the first world war, Sir Ian McKellen lords it over a cast ranging from Nigel Hawthorne as a ringing Clarence and Jim Broadbent as a buxom Buckingham to Hollywood's Robert Downey Jr (Lord Rivers) and Annette Bening (Lady Anne). Unlike the National Theatre staging that inspired it, the film never finds a consistency of tone and style, gadding about between warring venues (Brighton Pavilion, City office blocks) and irreconcilable accents.

Restoration is both worse and better. This time Downey lords it over McKellen. The American plays a young 17th-century doctor to Sir Ian's don't-blink cameo as a butler. Since Charles II is played by New Zealand's Sam Neill and our hero's Cornish girlfriend by the non-Cornish Meg Ryan, the result is a dog's dinner dressed up as a banquet.

But what a dressing-up. As the Rose Tremain based-tale commutes between rags and riches, so do the sets and costumes. Court life is a riot of gold, velvet and Rubens-style hangings, with courtiers walking about like wedding cakes on legs. And even when the film descends into mud, Quakerism and the plague, director Michael Hoffman knows a painterly image when his designer shows him one.

Remaining competition movies exemplified the grim state of modern European cinema. Half were echoes of former glory from veterans like Bo *Elvira Madigan* Widerberg, offering yet another tale of sexual awakening in bygone Sweden, or France's Bertrand Blier, whose *Mon Homme* is his umpteenth comedy trying to put the Dadaism back into sex, assuming it was ever there in the first place.

Other Euro-films were as hyphenated as their provenances. Straddling cultures and styles, they included the Polish-German (Wajda's disappointing comeback drama about the Warsaw Ghetto *Holy Day*), the French-Italian (Ricky Tognazzi's bland high-finance thriller *Strangled Lives*) and even the Belgian-French-Tunisian in Ferid Boughedir's comedy with allegorical trimmings, *A Summer In La Goulette*.

Michael Verhoeven's *A Mother's Courage* takes the Golden Biscuit, though, for cultural muddle. Based on the writings of Hungarian refugee Georg Tabori, the German film tells the story of Tabori's mother and her narrow escape from deportation to Auschwitz. With hundreds of other Jews she was trundled to the border in a cattle car, only to find last-minute mercy from a Nazi officer. Piquant tale. But whom do we have as Mrs Tabori? Our own Pauline Collins, whose mouth seems to frame her German dialogue with as much surprise as her eyes register the twists of the plot.

No wonder many festival-goers ran for relief to the sideshows or the Young Film-Makers Forum. Like the Cannes Directors Fortnight, the Forum honours gritty, singleminded visions. Italy's *The Uncle From Brooklyn* is a picture of Sicilian peasant life at once brutally funny and serenely minimalist.

(Strange bodily noises predominate over dialogue in many parts of the soundtrack.) Hong Kong's *Fallen Angels* is another boldly Fauvist tragicomedy about love and gangsterdom from *Chungking Express*'s Wong Kar-Wai. And from the US, Todd Solondz's *Welcome To The Dollhouse* and Todd Verow's *Frisk* offer hypnotic insights into the American dream – or nightmare – as they probe, respectively, the comical horrors of high school life and the real horrors of extreme sexual fantasy.

Looked at whole, rather than quality-tested for its competition, this may have been the richest Berlin film festival in modern memory. Having filled the main event with Hollywood's new guard, Berlin invited two great older guardsmen – Jack Lemmon and Elia Kazan – to preside over programmes of their work. And it topped those shows off with a full-scale William Wyler retrospective, from which only Wyler himself, for reasons of mortality, was absent. Berlin may not boast the natural environmental comforts of Cannes or Venice, especially in this blizzard-swept year. But it is fast becoming their equal or superior in the movie calendar.

Ballet/Clement Crisp

Far From the Madding Crowd

As the curtain came down at the end of *Far from the Madding Crowd*, a voice near me said "Oh, that's lovely." It was a feeling I shared, though for diametrically opposite reasons from the happy speaker. For three hours David Bintley had taken us on a long trip through a Wessex generously furnished with rustics and such rural crafts as illicit passion, shooting, roistering and sheep-shearing.

I had privately christened the event *Emmerdant Farm*, but for Bintley's eager public in the Birmingham Hippodrome this dance-view of Hardy's novel contains everything they want, and everything he knows so acutely how to give them.

Bintley has produced a three-act ballet for his Birmingham Royal Ballet in which the skeleton of Hardy's drama is embedded in extensive amounts of pastoral quaintness. From hiring-fair to hoe-down (at moments the stage picture suggests *Oklahokum*), we are offered jollity, high-stepping, cunningly made scenes of rural fun, military copulation, and what looks like a do-it-yourself coffin.

The production is efficient, astutely worked-out. There is a tuneful score by Paul Reade, which has waltzes and rural tunes (and an itinerant fiddler worthy of a Budapest restaurant), and it will doubtless soon turn up on Classic FM. Hayden Griffin has devised a clever set of half-timbering which adapts to every scene-change. Costuming ranges from *Cold Comfort Farm* modish – lots of beige; hats that look home-made – to bonnets and gingham, and the stage picture is exactly that proposed by the attitudes of score and choreography.

The central characters – Leticia Muller as Bathsheba; Michael O'Hare as Gabriel; Joseph Cipolla as Boldwood; Wolfgang Stollwitzer as Troy – go through their motions with evident devotion. They do what they do, and I found them – and what they do – uninteresting. The cast work very hard at enjoying the olde Mummerset customs. The piece is as determinedly rustic and improbable as a Tourist Board advertisement for our rolling country-side, and if it were any more ingratiating it would be sitting in our laps. The public will love it, and it will have an entire success. David Bintley is an assured craftsman: he has made something which were better called *Near the Madding Box-office*.

Recital/John Allison

Olaf Bär's Schubert

All-Schubert programmes are not uncommon, but Olaf Bär's at the Wigmore Hall last week was more concentrated than usual. It focused on Lieder from the years 1818-24, and the 18 songs we heard ranged from among the composer's best-known to some neglected numbers. With thoroughness typical of the German baritone and his pianist Helmut Deutsch, this recital had been preceded on Monday with the first of the Wigmore Hall's projected "Insight Concerts", in which the two musicians explored aspects of these songs with a pair of young Lieder singers, Ruth Peel and David Crown.

Bär himself proved an impressive interpreter, but still showed lingering signs of the vocal trouble that beset him a few years ago. His greatest strength is the uniquely cultivated way he has with his native language, and he projected the poems eloquently.

But there were times, most noticeably in the long "Einsamkeit" which concluded the first half, where his honeyed tone almost dried up and the voice sounded tired, lacking support. Even this song, though, was compelling, since both Bär and Deutsch conjured up the entire range of moods it encompasses. Deutsch was an admirable accompanist throughout: unfailingly interesting, but always discreet.

The recital had begun strongly, with Bär arresting in the opening lines of "An die Leier", and bringing long, liquid phrases to the tranquil passages that follow. He caressed the refrain of "Sei mir gegrüsst" beautifully. Early in the programme he was still rich of tone in loud dynamics, and caught the fresh excitement of "Lachen und Weinen". Schubert's only Uhland setting, "Frühlingsglaube", was light and balmy, and "Auf dem Wasser zu singen" came across with tranquil ease.

Although Friedrich Novalis is the epitome of a Romantic poet – he died aged 28, and Heine noted that "He loved a young lady, who suffered from consumption and died from the disease" – his metaphysical texts in "Nachthymne" and "Hymnen I-IV" did not inspire vintage Schubert. Even the restrained emotions, though, were evoked in Bär's finely sculpted lines. A change to Goethe for the final group of five Lieder raised the spirits, predictably in the buoyant "Der Musensohn", less obviously in "An die Entfernte", a song of hopeless longing.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM
CONCERT
Concertgebouw
Tel: 31-20-5730573
● Nederlands Philharmonisch Orkest: with conductor Hartmut Haenchen and pianist Rian de Waal perform the 'Wanderer' Fantasy for piano and orchestra by Schubert/Liszt, Wagenaar's Elverhoi, and Beethoven's Symphony No.5; 8.15pm; Mar 2, 3 (2.15pm), 4, 5

■ ANTWERP
CONCERT
De Singel Tel: 32-3-2483800
● Koninklijk Filharmonisch Orkest van Vlaanderen: with conductor Muhai Tang and viola-player Leo De Neve perform works by Hendericx, Dun and Stravinsky; 8pm; Mar 1

■ BERLIN
OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Die Zauberflöte: by Mozart. Conducted by Stefan Soltesz and performed by the Deutsche Oper Berlin. Soloists include Halgrimson, McCarthy, Peacock, Hagen, Clear and Feldhoff; 7.30pm; Feb 29

■ BOSTON
CONCERT
Boston Symphony Hall
Tel: 1-617-266-1492
● Die Jahreszeiten: by Haydn. Performed by the Boston Symphony Orchestra with conductor Marek Janowski. Soloists include soprano Ruth Ziesak, tenor Christophe Prégardien and bass Alastair Miles; 8pm; Feb 27

■ CAPE TOWN
JAZZ & BLUES
Nico Theatre Complex
Tel: 27-21-215470
● Irene Reid and Mike Carr: performance by the vocalist and organist. Part of the International Jazz Festival; 1pm; Feb 28

■ COPENHAGEN
DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● Romeo and Juliet: a choreography by Frederick Ashton to music by Prokofiev, performed by the Royal Danish Ballet; 8pm; Feb 27, 28; Mar 1, 2

■ DRESDEN
OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Elektra: by R. Strauss. Conducted by Friedemann Layer and performed by the Sächsische Staatsoper Dresden. Soloists include Felicity Palmer, Carla Pohl, Helga Thiede and Klaus König; 7.30pm; Feb 28; Mar 3

■ GENOA
OPERA
Teatro Carlo Felice
Tel: 39-10-589329
● Turandot: by Puccini. Conducted by György Györivanyi-Rath and performed by the Teatro Carlo Felice. Soloists include Alessandra Marc, Keith Olsen and Alida Ferrarini; 8.30pm; Feb 27, 29; Mar 1, 3 (3.30pm)

■ GHENT
OPERA
De Vlaamse Opera
Tel: 32-9-2230681
● Tosca: by Puccini. Conducted by Silvio Varviso and performed by De Vlaamse Opera. Soloists include Maria Guleghina, Fabio Armiliato and Knut Skram; 8pm; Feb 28; Mar 2

■ HOUSTON
EXHIBITION
The Menil Collection
Tel: 1-713-525-9400
● Eve Arnold: A Retrospective: exhibition featuring more than 150 black-and-white and colour photographs taken by Arnold over a forty-year period; from Mar 1 to Apr 28

■ LEIPZIG
MUSICAL
Oper Leipzig Tel: 49-341-1261261
● West Side Story: by Bernstein. Conducted by Seiffarth and performed by the Oper Leipzig; 7.30pm; Mar 1, 2 (7pm)

■ LISBON
CONCERT
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Orquestra Gulbenkian: with conductor Frans Brüggen and pianist Pedro Burmester perform Beethoven's Rondo for Piano and Orchestra and Symphony No.2; 9.30pm; Feb 29; Mar 1 (6.30pm)

■ LONDON
CONCERT
St John's, Smith Square
Tel: 44-171-2221061
● Gundula Janowitz: accompanied by pianist Kelvin Grout. The soprano performs songs by Schubert, Schumann and R. Strauss; 7.30pm; Feb 29
Wigmore Hall Tel: 44-171-9352141
● Steven Osborne: the pianist performs works by J.S. Bach, Beethoven, Clapperton and Liszt; 7.30pm; Feb 27
DANCE
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Giselle: a choreography by Pepita to music by Adolf Adam, performed by The Royal Ballet. Soloists include Viviana Durante and Irek Mukhamedov; 7.30pm; Feb 29

■ MADRID
OPERA
Teatro de la Zarzuela
Tel: 34-1-4298225/6
● La Cenerentola: by Rossini. Conducted by Antoni Ros Marba and performed by the Teatro de la Zarzuela. Soloists include Jennifer Larmore, Rockwell Blake and Manuel Lanza; 8pm; Feb 28; Mar 3

■ NEW YORK
CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● Symphony No.6: by Mahler. Performed by the New York Philharmonic with conductor Daniele Gatti; 7.30pm; Feb 27
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Aida: by Verdi. Conducted by Christian Badea and performed by the Metropolitan Opera. Soloists include Nina Rautio, Dolora Zajick, Michael Sylvester and Juan Pons; 8pm; Feb 28; Mar 2 (1.30pm)

■ PARIS
CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Joseph Kalichstein, Jaime Laredo and Sharon Robinson: the pianist, violinist and cellist perform works by Brahms, Dvorák and Beethoven; 8.30pm; Feb 28
● Yury Boukoff: the pianist performs works by Beethoven; 8.30pm; Feb 27
DANCE
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Le Parc: a choreography by Angelin Preljocaj to music by Mozart, performed by the Ballet de l'Opéra National de Paris, the Orchestre de l'Opéra National de Paris with conductor Bertrand de Billy, and pianist Jean-Yves Sébillotte. Soloists include Isabelle Guérin and Laurent Hilaire (Feb 27, Mar 1), and Elisabeth Maurin and Manuel Legris (Feb 28, Mar 2); 7.30pm; Feb 27, 28; Mar 1, 2

■ ROME
OPERA
Teatro dell Opera di Roma
Tel: 39-6-481601
● Turandot: by Puccini. Conducted by Yuri Ahronovitch and performed by the Opera di Roma. Soloists include Valentina Sidipova; 8.30pm; Feb 27, 29; Mar 2 (6pm)

■ STOCKHOLM
DANCE
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Royal Swedish Ballet: perform George Balanchine's choreography Theme and Variations to music by Tchaikovsky, and Kenneth MacMillan's choreographies Pavane, to music by Fauré, and Song of the Earth, to music by Mahler; 7.30pm; Feb 29; Mar 1, 2 (3pm)

■ VIENNA
CONCERT
Konzerthaus Tel: 43-1-7121211
● Solomon: by Handel. Performed by the Wiener Singakademie and the Akademie St Michael, conducted by Herbert Böck; 7.30pm; Feb 27

■ WASHINGTON
CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Eri Klas and violinist Thomas Zehetmair perform works by Liadov, Prokofiev, Davids and Tchaikovsky; 7pm; Feb 27

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Michael Prowse • America

Hat trick for Alan

Greenspan wins another term at the Fed despite White House fears that tight monetary policies are depressing growth

It is time to breath a sigh of relief. At last, President Bill Clinton has nominated Mr Alan Greenspan for a third term as chairman of the Federal Reserve. After months of vacillation, he also announced surprisingly sensible candidates for other Fed vacancies. He wants Ms Alice Rivlin, his budget director, to succeed Mr Alan Blinder, the Princeton economist, as Fed vice-chairman, and Mr Laurence Meyer, an economic forecaster, to fill a second vacant governorship.

Mr Greenspan's renomination was expected. Indeed, Mr Clinton's advisers realised long ago that no candidate more ideologically acceptable to the White House would have any chance of winning the confidence of either Wall Street or the Republican-controlled Senate.

Yet news of his impending renomination still contributed to a 90 point surge in the Dow Jones index last Thursday. This was not at all irrational. Mr Greenspan's judicious monetary decisions and sagacious congressional testimony have come to seem indispensable. At a time when financial markets are jittery and the economic outlook uncertain, a steady hand at the Fed – still the world's most influential central bank – is more important than ever.

Mr Greenspan (whose Senate confirmation is a formality) will nevertheless begin his third term amid growing criticism that restrictive Fed policies are depressing the economy. Figures last week showed that growth slowed to an annual rate of 0.9 per cent in the fourth quarter of last year; growth for 1995 as a whole was 2.1 per cent, the slowest since the 1990/91 recession.

Mr Clinton has made no secret of his belief that the Fed has put excessive emphasis on fighting inflation. "We ought to debate whether conventional wisdom on how fast this economy can grow is right," he said recently. And last week Ms Laura Tyson, his top economic aide, declared there was no better place for this debate than on the Fed's policy-making open market committee.

Mr Clinton had hoped to temper Mr Greenspan's influence by nominating an explicitly "pro-growth" candidate for the Fed vice-chairmanship.

He initially signalled that he wanted Mr Felix Rohatyn, the New York investment banker and a passionate advocate of higher government spending, to fill the Blinder vacancy. But Mr Rohatyn was vetoed by conservative Republicans, which was fortunate because he would have been a polarising figure at the Fed. He would have become an instant target for criticism in financial markets which were far from happy with Mr Blinder, a moderate by comparison.

The task of advancing Mr Clinton's "growth agenda" thus falls to Ms Rivlin and Mr Meyer, who seem likely to win Senate confirmation fairly easily. Ms Rivlin, an economist whose expertise lies mainly in fiscal policy, has not previously shown any interest in a Fed job. But she could prove a clever choice. She has known Mr Greenspan for years and has enjoyed the respect of both Democrats and Republicans on Capitol Hill since the late 1970s, when she served as the first director of the non-partisan Congressional Budget Office. She is more experienced politically than Mr Blinder, better at handling the media and less likely to adopt a confrontational stance. If Mr Clinton is still around when Mr Greenspan retires, she just might become the first woman to lead the Fed.

Mr Meyer, an economics professor at Washington University in St Louis, also seems a sensible choice. He runs his own economic consulting firm which has won awards for the accuracy of its forecasts. And he seems to be a non-ideological type with mainstream views: his forecasting model draws on monetarist, Keynesian and supply-side theories.

If confirmed, Ms Rivlin and Mr Meyer are most unlikely to persuade the Fed to adopt more expansionary policies than it would otherwise have favoured.

Over nine years Mr Greenspan has acquired great influence within the Fed. Yet even he has to accept the collective decisions of the open market committee. Five of the 12 voting seats are held (on a rotating basis) by the presidents of the Fed's regional banks, some of whom are more hawkish than Mr Greenspan. And three of the seven governors will remain Reagan or Bush appointees. The framework for the committee's decisions, moreover, will continue to be set by the economic forecasts produced by the Fed's large professional staff.

But Mr Clinton should not worry, because it is highly improbable that restrictive Fed policies are depressing US economic growth. The White House's unease in part reflects the impact of statistical changes that have reduced measured growth by about half a percentage point (without, of course, affecting the real economy). The conventional wisdom today (reflected in the latest report from Mr Clinton's Council of Economic Advisers) is that the economy can enjoy sustained annual growth of no more than 2 to 2.5 per cent.

Mr Greenspan, if anything, takes a more optimistic view because he is sceptical of official economic statistics, particularly estimates that show little increase in productivity growth since the 1970s despite much restructuring and technological progress. In any case, as he said last week, the Fed does not base policy on theoretical estimates of potential growth.

It tightened policy aggressively in 1994 not because it thought growth was exceeding some arbitrary speed limit, but because clear signs of economic strain – such as rapidly rising rates of capacity utilisation and rising materials prices – had emerged. It began to ease policy last year as soon as the strains began to dissipate. It will cut rates further if unemployment rises and inflation stays subdued.

In truth, the Fed is already pursuing the kind of pragmatic policies favoured by most Democrats. Its goal is to achieve the maximum possible growth rate. Mr Greenspan differs with Mr Clinton only in having a clearer understanding of the lesson of the 1970s: that keeping inflation low is a precondition for sustained growth of living standards.

Faces for the Fed: Alice Rivlin (left) and Alan Greenspan

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

No bias towards Berlusconi on Italian TV

From Sen. Livio Caputo and Mr Riccardo Pera MP.

Sir, In your editorial "Italy at the polls again" (February 19), you said that Mr Silvio Berlusconi, besides owning three commercial TV channels, has managed to place his supporters in the most powerful position in the RAI state television service and that "the bias in broadcasting ranges from the blatant to the subtle, but it is undoubtedly pervasive".

We must stress most forcefully that this is not true. Statistics published on the very day of your editorial show that during the last 12 months the RAI news services dedicated more time to the Democratic party of the left than to Forza Italia and Allenza Nazionale and that the RAI 3 was just as biased in favour of the left as one of the private Fininvest channels was towards the right.

Besides, the two most important newscasters of RAI, Mr Biagi and Mr Santoro, and the most important host of a talk show on Channel 5 (nominally a Berlusconi channel), Mr Maurizio Costanzo, notoriously belong to the parties of the left and make no effort to hide their partiality. And since most national newspapers are also on the side of the centre left, you will find Italy's media situation is very different from your description.

Livio Caputo,
Forza Italia foreign affairs spokesman,
Riccardo Pera,
Italian parliament,
Rome, Italy

Monetary union a political decision in Germany

From Mr Jan-Peter Olters.

Sir, I do understand that Emu-critical Bundesbank statements raise the hopes of British Euro-sceptics that – maybe – the Euro-spectre will just evaporate, and, in its wake, will allow them to overcome their political isolation in Europe.

As much as the desire not to be alone is understandable, interpretations such as the ones offered by Lex on February 16 – "For Chancellor Kohl to force through monetary union against the explicit advice of the Bundesbank is virtually unthinkable" – plainly contradict political reality in Germany. This dictates that decisions regarding exchange rate regimes are made by the government rather than the Bundesbank. In instances in which the German political elite has made fundamental decisions regarding exchange rate regimes, the Bundesbank's misgivings have been completely ignored: in 1978, when Helmut Schmidt's political determination secured the implementation of the EMS project, and in 1990, when Helmut Kohl's enthusiasm by-passed Frankfurt when deciding on the date and details of monetary union between the two Germanys.

The only strategy with which the German central bank can avoid being an integral part of a new whole is to shed some doubt on the economic and/or political desirability of the Emu project, with the aim of weakening the government's perseverance in pressing ahead with Maastricht and the timetable towards the 1999 implementation of the Euro.

There is little if any indication that Bundesbank objections will deter Chancellor Kohl from pursuing what he considers to be the natural complement to German unification: a European Germany firmly anchored within a unified continent, economic details notwithstanding.

Jan-Peter Olters,
department of economics,
McGill University,
855 Sherbrooke Street West,
Montreal, Quebec,
Canada H3A 2T7

Europe should not let its backyard be policed by US

From Mr George Chrysaphinis.

Sir, Edward Mortimer ("Time for a larger role", February 14) seems to forget two reasons which may explain why the US has been more present than Europe in international conflicts, particularly in the European arena. One is that after the second world war the US was one of the two figureheads of the Cold War along with the Soviet Union. Its actions, ranging from nuclear build-up to armed intervention, stemmed from a strong ideological position. During these 50 years the US capacity for intervention was sharpened while in the case of Europe, where the emphasis during the same period was to prove that it could live in peace, it was not cultivated.

The second reason is more directly related to the ex-Yugoslavian conflict. Europe's indecisiveness and division is explained by the fact that the history of several European countries is closely intertwined with that of the Balkan states. Rash reactions by European states at the start of the conflict made it difficult for them later to appear impartial, something that was easier for the US to do.

The lack of any comprehensible European ideology makes it both difficult for Europe to react to sudden flare-ups and for the involved parties to anticipate such a reaction or take it seriously. Meanwhile, the US follows an explicit policy of protecting its strategic interests, which is easier for conflicting sides to interpret. Backed with its military clout, the message gets through.

Should Europe sit back and allow the US to police its own backyard? No, the US can and does make mistakes. Solutions based on strategic interest alone are not ideal and can be overturned when the occasion arises. Let Europe take the initiative and let principles of justice be its guiding ideology; and if the Bosnian conflict is too complex there are other cases in need of attention, starting with Cyprus, a victim of US realpolitik.

George Chrysaphinis,
6 rue de Montbauron,
78000 Versailles,
France

Doubt about China's understanding of trade principles

From Mr Toshiya Tsugami.

Sir, Your article "China's level playing field" (January 30) reminded me again of the direction the Chinese economic regime is taking. Indeed, some Chinese officials have argued that China need only eliminate its preferential taxes for foreign invested companies in order to adhere to the national treatment principle of the World Trade Organisation.

Disregarding to what extent current WTO rules deal with the issue of national treatment "on person or enterprise", preferential treatment for foreigners never conflicts with the concept of "national treatment" which actually requires "no less favourable treatment" than accorded to nationals. However, the Chinese view makes us rather pessimistic about whether and to what extent the Chinese people understand the principles of a multilateral trading system.

Put it this way. China's elimination of tax exemption, as discussed in your article, was the first time China had announced a policy change prior to its implementation and this allowed foreign investors to "rush into the brief window of opportunity".

For investors who had spent much time and money to set up joint ventures but had not yet acquired approval, the rumour of the instant elimination of tax exemption had been a serious threat. The manner of the announcement suggests China is beginning to understand how transparency and predictability are important for a market economy.

The fact that China is becoming more sensitive about a "level playing field" or eliminating discrimination is also important. China should further understand that eliminating discrimination is necessary not only for Chinese state enterprises but also for foreign invested companies.

Discrimination against foreign invested companies obviously remains in China. Most serious, for example, is a quota-like export requirement for foreign invested companies only. If China has made up its mind to protect "a level playing field", then I sincerely hope that it will also eliminate such discrimination, even if it takes some time.

Apart from whether such discrimination is inconsistent with the current WTO or other international norms, "non-discrimination" and "mutual benefit" are the key elements underlying the multilateral trading system which China wishes to enter.

Toshiya Tsugami,
director,
Trade Policies Review Office,
Ministry of International Trade and Industry,
3-1, Kasumigaseki 1,
Tokyo,
Japan

Samuel Brittan

Dilemmas in pension reform

Whether or not the welfare state is in a crisis, it certainly faces problems. Many of these arise from the problems of accommodating an ever greater proportion of pensioners in relation to the working population.

In the UK, social security expenditure accounts for 40 per cent of total public spending. Of that, 44 per cent goes to expenditure on the elderly. Nevertheless, according to the Organisation for Economic Co-operation and Development's projections, the future UK pensions bill does not threaten to put an overload on national finances. Indeed, at present levels of taxes and charges the British government should be able next century to repay some of the national debt, reduce taxes or increase government spending – or some mixture of all three.

You may believe that or not. But contrast the projected trends in other countries. In France and Germany the national debt will have doubled and will exceed national income by the year 2030. In Japan the debt will have trebled. These assumptions, based on unchanged taxes, are of course artificial: in European countries, for example, taxes or social security contributions will have to be raised to meet the Maastricht criteria for monetary union if pension schemes are not reformed.

Unfortunately, too much of the discussion of pensions reform is bogged down in the details of particular systems. It is time to state a few basic principles in terms of real resources.

- The allocation of income between spending and saving is one for an individual or household to make. Some people will want to save heavily for retirement and other contingencies, while others will prefer to spend most of their incomes when they earn them. There is no warrant for imposing the preferences of any group over all the population.
- There is a minimum level below which citizens will not want their fellow citizens' standard of living to be reduced however improvident they have been in the past, or however unfortunate they have been in obtaining pensionable employment.
- Whatever actuaries may say, there is no way by which the burden of pensions can be transferred from one period to another. All pensions have to be provided from the *present* national income. Even funded schemes can only give rights to a share of this year's national income. They cannot transfer resources from this year to another year 40 years away. The economic reality is that today's workers pay taxes and contributions to pay for today's pensions on the understanding that the next generation of workers will do the same for them.
- Reform can ease the burden of providing pensions if it raises the *present* national income. It may do so by improving work incentives or – as I should prefer to say – by removing disincentives. For instance, if it is really true that workers regard contributions to occupational or personal pensions as remaining in some sense part of their income, then such schemes will not have the same disincentive effect as social insurance contributions which are regarded as akin to taxes.
- Reform can also help if it improves the future national income. The main way in which it can do so is by improving the national savings ratio. To a liberal this should be a matter of removing any anti-savings bias in the present system rather than imposing forced savings in Soviet or Singapore style.

> There is still room for improvement. It is more important to encourage work opportunities for older people than to tinker with pension reform.

The problem with these principles is that they clash with each other. There is an apparent clash between the first – the voluntary choice of how much to save – and the third, the impossibility of shifting burdens between generations which obliges those working now to pay now. Old-fashioned texts would resolve the conflict by saying that the rate of interest brings into balance the desire to save with the requirements for investment for pensions and other purposes.

A more genuine conflict is between the first principle of free choice in provision for the future and the second, compassionate one embodying a minimum income or all. Once it is decided that there should be a minimum living standard in retirement, some element of compulsory contribution becomes justified.

The current British system is rightly a compromise. The state pension, together with means-tested top-up payments known as income support, provides the basic minimum. A second tier is provided by the requirement that people should save nearly 5 per cent of their incomes in earnings-related schemes either in the private sector or in a fall-back state scheme. The third tier is left to voluntary corporate or personal schemes.

The better financial position of UK state pensions owes something to demographic factors. But it is also due to some controversial decisions on its structure. The basic state pension is now increased in line with inflation and not in line with average earnings. In addition the age for qualifying for this pension is to be harmonised upwards so that for women, as well as for men, the pension starts at 65.

But there is still room for improvement. The most worrying feature of the British scene, which was mentioned in a recent speech by Mr Peter Lilley, social security secretary, is that only 2 per cent defer collecting their state pensions beyond the statutory official retirement age – despite substantial increases in the amount paid when pension is deferred. This problem, which may arise partly because of the financial treatment of part-time work and other small-print snags to their working longer, means an increased burden on the rest of the population.

With the increased lifespan and improved health of older people, it is more important to encourage work opportunities for this group than to tinker with pension reform. It is here that the true direction of change should lie.

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Australia's tight finish

A few weeks ago the outcome of the Australian election seemed a foregone conclusion, with Mr Paul Keating's Labor government trailing 10 points adrift in the polls. Now with just six days to go, it is the Liberal-National opposition which appears to be on the defensive. The gap is down to a very few percentage points, and Mr John Howard, the Liberal party leader, is stumbling in the final straight.

Of course, no one should ever have underestimated the pugnacious Mr Keating, who managed to snatch victory from defeat in 1993. He is a formidable campaigner, and a ferocious parliamentary performer. But his administration has scarcely been scintillating, and the Labor party looks lacklustre after 13 years in government.

The trouble is that the opposition has also been short of ideas, or at least unwilling to spell them out in detail.

The Liberal party is in danger of getting it wrong twice, for opposite reasons. In 1993, Mr John Hewson, the former banker and IMF economist who was then party leader, put forward an impressive agenda of economic reform to tackle Australia's underlying structural problems of low savings and inflexible labour markets. He lost because he committed himself too far, in particular by promising new taxes on consumer spending to balance the budget, when the country was in recession.

This time round, Mr Howard seems anxious not to make the same mistake. His economic policies are vague. Instead of presenting himself as a good budget disciplinarian, he has promised tax cuts and increased spending on health and environmental protection.

A sceptical electorate has been unimpressed. If the opposition does lose after all, it will be because of its lack of an agenda. This should have been the time for a clear vision of the structural reforms needed in the Australian economy, and its chronic tendency to run into import-driven balance of payments crises every time it starts to expand.

Mr Keating, on the other hand, does appear to have a vision, although he is thin on ideas for economic reform. He sees Australia engaging increasingly in the Asian region, loosening its ties with Europe and particularly with Britain. His determination to press ahead with plans for Australia to become a republic and abandon Australia's allegiance to the British crown, fits into that ambition. It has an obvious appeal to Australia's self-image of sturdy independence.

Six days is still a long time in Australian politics, and Mr Howard has a reputation as a tough fighter himself. But he has relied too much on the electorate's desire for a change, and not enough on presenting a clear alternative. If he fails, that will be the cause.

Stock exchange

The London Stock Exchange says it is looking for a chief executive. It should be in search of a role for itself as well. If it ducks the questions of why the last two chief executives left prematurely, and of its long-term future, the new appointee will find necessary reforms are once again frustrated.

Since Mr Michael Lawrence left the post last month he has elaborated on the problems he faced at one of the UK's most traditionally minded institutions. In written evidence to the House of Commons Treasury select committee, he implies that the Exchange backed off from its intention to introduce order-driven trading, one of the most contentious and far-reaching changes now under consideration.

Order-driven trading would match buyers' and sellers' orders automatically. At present, market-makers post constant two-way prices in all shares, making money from the bid-offer spread. The change would cut investors' dealing costs, at market-makers' expense. But critics fear that liquidity in some shares would also suffer.

Pressure for reform has come both from new technology, which makes matching of orders possible, and from growing competition with overseas exchanges. Yet a range of insurance companies, pension fund managers, market-making banks and private client stockbrokers, have told the exchange that they oppose change. Under this pressure, the exchange has appeared increasingly uncertain of its position.

It has not made clear whether it thinks order-driven trading could co-exist with the present system. It has not thoroughly aired in public the question of who should pay for such reforms: the traditional member firms, which may suffer from the changes, or the wider community of market participants which could benefit. Above all, the exchange still appears ambivalent about whether it is as a trade association representing member firms, or a body serving that broader group of market users.

That central question of the exchange's long-term role has confronted its board for longer than Mr Lawrence or his predecessor Mr Peter Rawlins were employed. It will not go away. The board, and those who oppose reforms, cannot ignore the shift of power within the industry – away from stockbrokers and traders towards institutional investors – which will exert increasing pressure on broking margins.

Responses to the exchange's current consultation exercise will provide a useful indication of the industry's feeling; but it will also confront the exchange more starkly with the central question: which long-term interests is it supporting? Until that issue is settled, any new chief executive will face the same almost impossible job of reconciling conflicting interests.

Inviting defeat

UK ministers not only deserve to be defeated in tonight's parliamentary vote on the Scott report, they are positively inviting it. Their response to the report over the past ten days has been a contemptible mixture of distortion and bluster. This only reinforces Sir Richard Scott's strictures about a governing mentality which places survival above truth, convenience above responsibility.

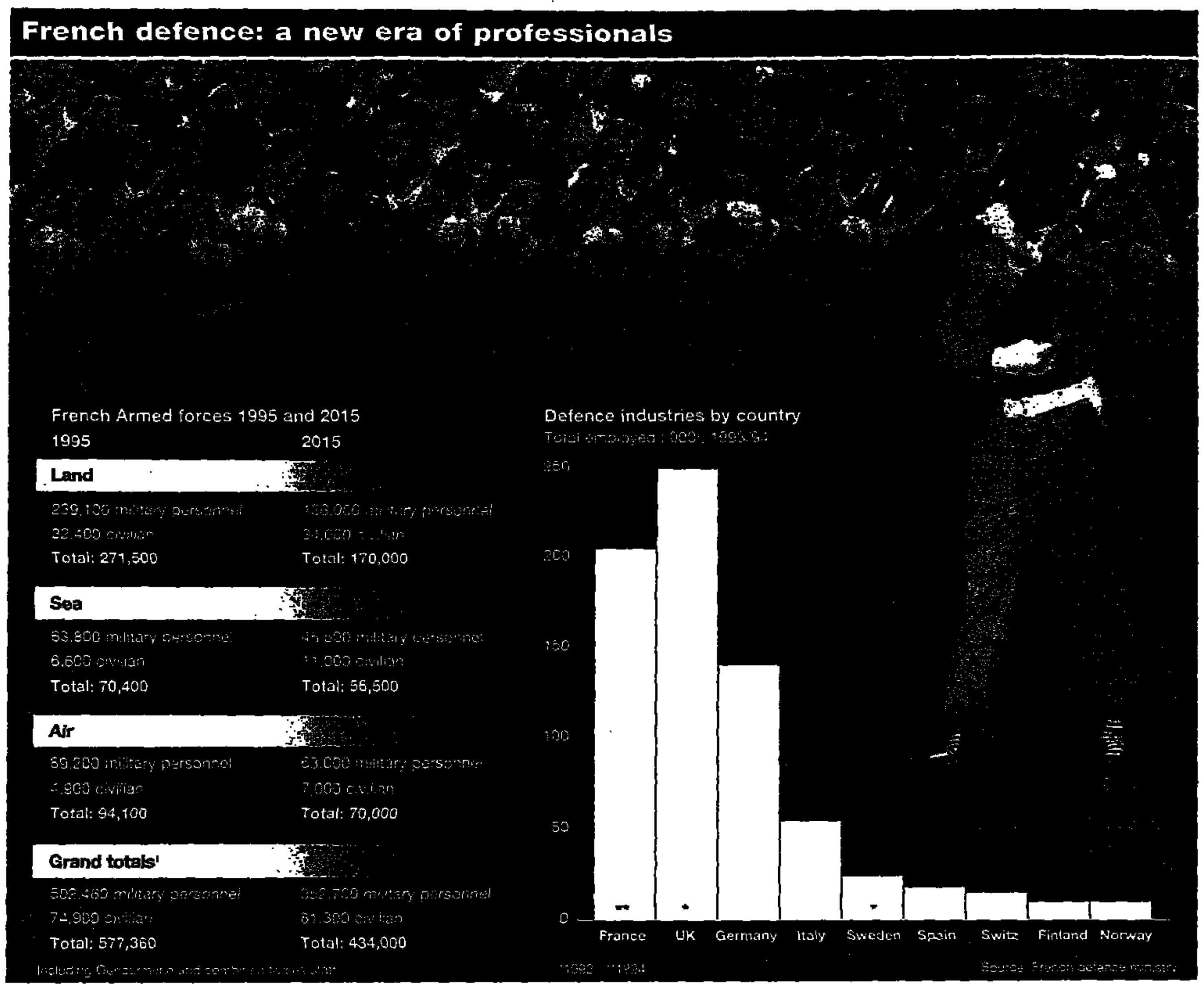
The case for the government to be defeated is simple. The Scott report finds ministers guilty, over a prolonged period, of serious violations of their democratic duties. Yet the government pretends that it has been vindicated on all fronts, just because it was not censured for the still more serious charge of conspiring to prevent three businessmen from defending themselves properly against a criminal prosecution brought by the government.

Mr Michael Heseltine, the deputy prime minister, has gone so far as to claim that there would have been no need for the Scott inquiry had its conclusions been known in advance. He says this of a report which finds that a minister still in office knowingly misled MPs over a lengthy period about policy on arms sales to Iraq; which finds that this was done because of fear of "strong public opposition" were the truth known; and which finds that the government's chief law officer – also still in office – was "personally at fault" for failing to address "important constitutional and legal issues" raised by the use of public interest immunity certificates in the Matrix Churchill trial.

There is no likelihood of the government falling as a result of the vote on the Scott report, even if it loses tonight. The resignation of Mr Peter Thurnham – the third Tory MP to leave the party in recent months – further weakens Mr John Major's grip on office, revealing growing disillusion among those on the party's moderate wing. But the defection does not threaten an immediate election. The debate today should therefore focus on the Scott report itself.

The government's stated willingness to reconsider the regime for licensing arms exports is welcome but inadequate. If ministerial accountability to parliament applied as it should, the two ministers heavily criticised by Scott would have resigned and the government would today be presenting proposals to MPs for dismantling the endemic and unnecessary secrecy surrounding policy on the sale of defence equipment abroad.

A government defeat might still produce at least the second of these outcomes – greater openness and public debate. It would also show that MPs within the governing majority place the standing of parliament, and their duty as MPs to ensure ministerial accountability for executive actions, above narrow party self-interest.



A 21st century army

Chirac's plans for reforming the French military will not be universally welcomed, says David Buchan

When President Jacques Chirac announced last week that he intended to reform France's military forces and arms industry, he was strikingly frank about what he thought was wrong with them.

The Gaullist president compared France's partly conscripted army unfavourably to the UK's smaller, all-professional force. With the 1991 Gulf war, and perhaps Bosnia, still in mind, Mr Chirac complained that France was unable to "project" abroad a fighting force of more than 10,000 men "in a rapid and organised manner". And the country's defence industry, for all its technical competence, was "much too fragmented... to entertain a real international ambition" in a competitive world arms market.

But he also set out some ambitious targets for the future. By the time conscription was phased out in 2001, France's fully-professional forces – even though a third slimmer – would be on a par "with the best in the world, notably the British army". In a pep talk to his 500 top officers, he went further: "France must be capable of being at the head of a [international] coalition with the command structure to control it". As for French arms exports, "we should be first, or at all events second if we cannot match the Americans".

France's commander-in-chief is clearly not sounding a retreat. Indeed, in the context of France's recent rapprochement with Nato, Mr Chirac's defence pronouncements last week can be read as a sign France wants to play not just a leading, but the leading, role in the Atlantic alliance's European pillar.

First, however, must come the difficult "downsizing" and regrouping. The force cuts – from a total of 500,000 to 350,000 early in the next century – will be the biggest since the end of the Algerian war, when French forces shrank from 1.16m to 667,000 between 1962 and 1964. They will involve combat regiments being cut from 129 to 85, and the reforming of much of the army into four elite units (heavy armour, light armour, mechanised, and assault infantry) of 15,000 men each.

With more appropriate amphibious and air support, these units would enable France, Mr Chirac told his officer corps, to dispatch up to 30,000 men (the same number Britain sent to the Gulf) to some distant theatre while simultaneously sending 3,000 to 5,000 troops elsewhere (probably to Africa, where France has several bilateral defence pacts that Mr Chirac intends to maintain).

Naturally, Mr Chirac stressed that France retained its military commitment to Germany and to their shared Eurocorps. The future mix of German conscripts with French professionals may give Eurocorps adjutants a headache, while the end of conscription in France might prove contagious in Germany. But the real problem for Germany may be that France will want to make active foreign use of the Eurocorps – particularly in the context of a reduced French army – faster than Germans are politically or psychologically prepared for.

Mr Chirac is aiming at cheaper as well as better defence. Tomorrow's 170,000 professional soldiers would cost the same in pay as today's part-conscript 270,000-strong army, but would require fewer weapons and therefore be less expensive overall.

Any downward pressure on the defence budget will obviously help France in 1997, when it comes to try to qualify for European monetary union. But the government will have to cater, in other parts of its budget, for two other defence-related costs.

First, the government has promised to recapitalise state-owned defence companies, which collectively have asked for more than FFr20bn in fresh funds.

Second, the government has pledged to soften the blow to individuals and communities of base closures and defence industry restructuring. Indeed Mr Chirac has rejected as "absurd" fears of mass redundancies, though government ministers forecast the defence industry will continue to lose some 10,000 jobs a year; a recent parliamentary report estimated that to try to create alternative jobs for all those streaming out of the defence sector would cost FFr30bn.

Apart from the Paris region, and from Provence and the Riviera which attracted the post-1945 nuclear and space industries, many traditional French defence companies are, for obvious historical reasons, located in the west and south-west in order to be as far from Germany as possible. Yet it is precisely proximity to the German market that many investors in France seek these days.

Can Mr Chirac carry all this off? Or is he in danger of trying to tackle too much at the same time as his prime minister, Mr Alain Juppé, has done on welfare reform?

Initial reaction to the defence reforms seems favourable. But Mr Chirac is taking several chances. One is his pledge personally to ensure that no region or town suffers from base closures or job losses. Normally, in the French system, it is prime ministers that take the direct heat for unpopular presidential decisions; that is why they change so often. Now Mr Chirac has effectively invited mayors of towns such as Tarbes in the Pyrenees, which is home to 1,800 Giat workers and 2,000 paratroopers, to level their anxieties about jobs straight at him.

Mr Chirac may also meet a disappointing reaction abroad. Nato and the European Union, in its intergovernmental conference that opens next month, may fail to add any cement to the European defence pillar Mr Chirac wants to build. He has invited European defence companies to forge new alliances with their French counterparts, but they may not want to do so on his terms. Even if they do, certain governments – notably the UK – may never commit themselves to "buy European" to the extent that Mr Chirac wants.

It is therefore possible that Mr Chirac will not be able to persuade other Europeans to follow the lead he clearly plans to give them, in the field and in the factory.

Defence groups seek allies

French defence companies have waited years for the government, their main client and in many cases their owner, to take long-overdue restructuring decisions. Their vigil is over.

Industrialists and investors, who sent defence stocks bouncing up and down on the Paris Bourse last week, are digesting the government's plans to merge aircraft companies Aérospatiale and Dassault, to privatise the Thomson electronics group and to squeeze the long-term defence budget.

The latter is not good news for the equipment-makers. They will have to share out FFr85bn a year over the 1997-2002 period, when only a couple of years ago they hoped they could count on the annual average of FFr104bn written into the current 1995-2000 defence programme – although the government never respected this, and stealthily pruned hardware spending to around FFr90bn last year.

The country still has the seven major weapons assemblers and contractors – Aérospatiale, Dassault, Thomson-CSF, Matra (missiles), Giat (tanks), Snecma (aero-engines), DCN (ships) – that it had nearly 30 years ago. Some rationalisation is now inevitable. Hitherto only Matra, part of the privately-owned Lagardère group, has felt free to speak out on this; last year it said it wanted to buy Aérospatiale's satellite operations. Now regrouping is official government policy.

But Mr Chirac's call for "a very big defence electronics pole created around a privatised Thomson" raises the danger of the French tradition of Colbertist industrial interventionism going too far, and creating some unwieldy behemoth instead.

And while the Thomson group requires recapitalisation for its sale, other state-owned companies need fresh funds even without privatisation. The needs of Aérospatiale, which has asked for FFr10bn in new money, may be met by marriage to Dassault, which is said to have a cash pile of about that amount. But since most of this is Taiwan's advance payments on the Mirages it is buying from Dassault, it may not be a real dowry.

Giat, meanwhile, has reported a FFr11bn hole in its 1995 accounts, and this must, by law, be partially filled by the end of 1996. The sorry case of Giat has other unfortunate ramifications. This collection of army arsenals was formed into a company in 1990, but not allowed to close any sites or lose any jobs. The defence ministry repeated last week that no forced lay-offs would take place, even though Giat's management says half its 12,500 workforce is effectively redundant.

Job promises made to Giat can hardly be denied to DCN, all the more so because the nine DCN yards and factories are still government arsenals and DCN's 25,000 employees are still civil servants.

Mr Chirac and his government are urging French defence companies to forge new European alliances. Many have already done so. Thomson-CSF and Matra have significant UK partners, and Aérospatiale has its extensive ties to Daimler-Benz Aerospace. Others have hopes. Giat has Royal Ordnance in the UK and Krauss-Maffei in Germany in its sights, and DCN wants to develop links with UK and Italian yards with which it is building frigates. But they all the government to give them a freer hand.

· OBSERVER ·

Slippery slope

■ Sounds of head-banging at The World Economic Forum, the organisation behind the annual schmoozerama at the Swiss ski resort of Davos. Maria Livanos Cattaui, who has managed the WEF secretariat with the finesse of a sergeant-major for the past 15 years, is packing her bags.

Cattaui's long survival has been a mystery to many, as her own schmoozing skills have rarely been in evidence. On the contrary, her tyrannical ways have more than occasionally irritated corporate members.

Late last year, Klaus Schwab, the WEF's founder and boss, told her that Claude Smadja, a former adviser and director, would be returning to the WEF as joint managing director. Smadja, head of information at French language Swiss television in Geneva, would take over the running of Davos and the growing number of "regional summits", while she would be responsible for improving internal "ongoing processes".

Cattaui's new assignment seemed a curious one as her relations with the computer were also less than cordial. She was still organising the immensely complex Davos jamboree with the aid of huge wall charts and several drawers of card files.

With the 1996 Davos behind her, she decided to walk – prompting Schwab to give up his university teaching, and devote himself full-time to the WEF. He says Cattaui will not be replaced but Davos insiders observe that both Schwab and Smadja are absent-minded intellectual types. One wonders how they will keep the show on the road without at least some sergeant-majoring skills.

Female touch

■ Unilever seems to be perfecting the art of putting its chin in the way of arch-rival Procter & Gamble's fist. The effects of the European "soap wars" that resulted in the Anglo-Dutch company pulling its flawed Persil and Omo Power products were still washing around when the scene moved to Canada.

Unilever has now asked an Ontario court to ban a TV ad for P&G's Oil of Olay moisturising soap. It took exception to a statement that "compared to the leading beauty bar, Oil of Olay holds more moisture to your skin". Unilever claimed this was a not-so-subtle reference to Dove, its best-selling soap.

Madame Justice Tamarin Dunnet not only dismissed Unilever's complaint, but rubbed soap in the wound by giving her own assessment. Based on evidence from three experts, the judge concluded that P&G's ad "conveys the general impression that Olay Bar is superior as regards moisture retention, which is true."

Only connect

■ Dead bodies on the front page of Thailand's most influential, but luridly illustrated, daily newspaper are nothing unusual. But last week it was the body of the paper's founder, Kamphol Vacharaphol, who died at the age of 76, that Thai Rath was featuring. Standing over him, performing a Buddhist bathing ceremony, was Crown Prince Maha Vajiralongkorn, the black sheep of the royal family and heir to the country's throne.

The pair were friends, and royal protection often gave Thai Rath – which has a waiting list for advertising space – the confidence to print stories other papers would not touch. The paper's exposure of a land reform scandal in late 1994, nearly unseated the democratically inclined government of former prime minister Chuan Leekpai. It remains to be seen whether Kamphol's eldest children, a son running editorial and a daughter in charge of the business side, have their father's flair – or his connections.

Funny money

■ The Germans may be jolly good at making things, but, as many a visitor can testify, they have a lot to learn when it comes to service.

Still, help could now be at hand for all who have searched vainly for the smiling taxi-driver or hotel porter. Chancellor Helmut Kohl himself has warned his fellow citizens that they must be more cheerful if they want to make a success of tourism.

At a meeting in the chancellery last week, industry bigwigs wrung their hands over the need for innovation, more business start-ups and risk capital to ginger up a lacklustre tourist sector. Only Kohl dared to state the obvious: "We mustn't just be diligent. We must be friendly as well."

The chancellor is well-placed to compare conditions at home and abroad. During the past three months his peregrinations have encompassed China, Vietnam, Spain, Russia, and this week, Bangkok. It's also easy to smile when you're about to step on a plane bound for somewhere exotic.

Alter-wise

■ Father Kieran Blake knew something was wrong when he entered his church in the small village of Tir an Fhia in Connemara in the west of Ireland. "I knew something was missing", Father Blake told the Irish Times. "I was so shocked that it took me 10 minutes to figure out what it was." Thieves had made off with the altar.

The Financial Times

100 years ago

Obstinacy of manufacturers

An instance of the obstinacy sometimes displayed by British manufacturers in refusing to adapt themselves to foreign markets is given in a Consular report just issued on the trade of Turkey. A leading importer of Manchester goods writes from Salonica to say that an English firm positively declined to make handkerchiefs of the size required in Macedonia. In vain the importer offered to give a sample order for 30,000 dozens; the good old British manufacturers refused to produce anything but the sizes which they were accustomed to turn out, paying no heed to the special requirements of the Macedonian nose. A large order was thus lost and went to Switzerland.

50 years ago

South Africa's Budget

South Africa's first post-war Budget, which may well prove the most momentous for the Rand gold-mining industry for a decade, will be disclosed by Mr. Hofmeyr, Union Finance Minister, on Thursday. It has been widely hoped that some of the industry's heavy tax burden – taxation takes some 68 per cent of taxable income – will be removed. Certain Mining shares have rallied from recent low levels, but this is believed to be due more to guesswork than information.

FINANCIAL TIMES
Monday February 26 1996

Fleeting 'triumph' by Forbes is enough to weaken Dole in Arizona

By Patti Waldmeir in Phoenix, Arizona

Mr Bob Dole, Senate majority leader, heads into the US Republican party's presidential primary election in Arizona tomorrow looking increasingly weakened. He lost to Mr Steve Forbes, the millionaire publisher, in the Delaware primary on Saturday.

Mr Forbes's victory in Delaware may give his campaign in Arizona a late lift. Opinion polls there show him neck and neck with Mr Patrick Buchanan and Mr Dole at roughly 21 per cent each. Any such boost from Delaware is unlikely to stay with Mr Forbes beyond Arizona in the big southern primaries to follow.

But a strong Forbes showing in Arizona could further damage Mr Dole's campaign. With Mr Buchanan cementing rightwing support behind his surging campaign in this conservative state and Mr Forbes stealing centrist Republican votes from the senator, Mr Dole could slip to an embarrassing third place in Arizona.

Even victory in North and South Dakota, which will also vote tomorrow, could not give Mr Dole the momentum he needs, heading into a cluster of primaries over the next 10 days.

The most important of these will be the contests in South Carolina on March 2 and Georgia on March 5. These will provide a glimpse of voter sentiment in the south. They will also test the viability of Mr Buchanan's campaign for the long haul and the desire of Mr Lamar Alexander, the former Tennessee governor, to exploit his southern roots.

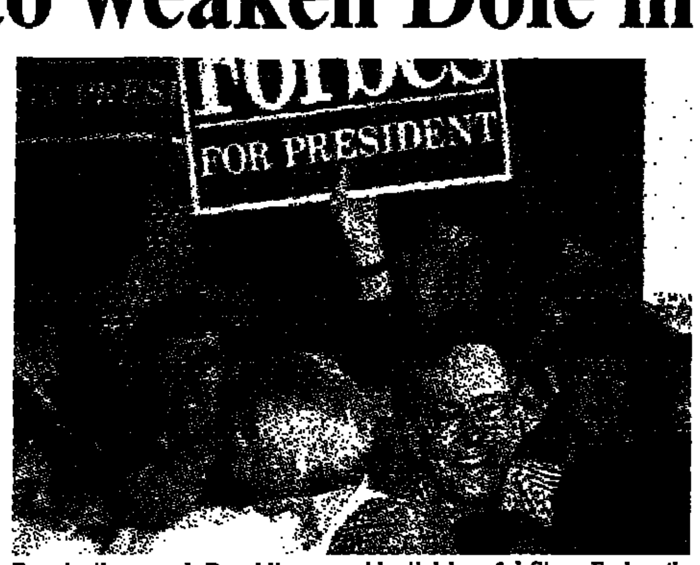
Delaware's poll was scarcely a true test of electoral strength: Mr Forbes was the only mainstream candidate to campaign. The state's Republican voters rewarded him for his attention, and penalised candidates such as Mr Dole who boycotted Delaware after it had tried to upstage New Hampshire by holding its poll immediately after the showcase first primary in the New England state.

Most Delaware Republicans abstained, with only 24 per cent of 139,000 registered party members voting. Mr Forbes won 33 per cent of their support. Mr Dole, who had the support of the state party hierarchy, came second with 27 per cent. Mr Buchanan came third with 19 per cent and Mr Alexander finished a distant fourth with 13 per cent.

A delighted Mr Forbes called the Delaware victory, his first since the nomination battle began, "a great triumph". But Mr Buchanan, campaigning strongly in conservative Arizona, brushed off this claim, commenting that "Steve Forbes finally bought himself a victory in an uncontested primary".

The winner-takes-all poll gave Mr Forbes all 12 of the state's delegates to the Republican party nominating convention. Overall, Mr Buchanan has 27 delegates so far, Mr Forbes 17, Mr Dole 16 and Mr Alexander nine.

Alarm over protection, Page 5



Face in the crowd: Republican presidential hopeful Steve Forbes (in glasses) greets supporters in Tucson ahead of the Arizona primary

Palestinian bombs kill 25

Continued from Page 1

security." Other Likud members were not so reluctant to exploit the attacks.

"Such tragedies remind Israelis that we are far from the fulfilment of the ringing promises of the Peres administration," said Mr Yossi Olmert, a Likud parliamentary candidate. "It is obvious that when you have a peace process you would not expect to see more violence and bloodshed."

Peace and security will be the dominant issues of the election campaign. Although Mr Peres has been riding a wave of public sympathy since the assassination of prime minister Yitzhak Rabin last November, many Israelis remain deeply sceptical about his ability to take a tough line on their security.

Turkish talks

Continued from Page 1

times over two weeks but they failed to agree over control of the economy.

Refah, which wants to transform Turkey's 73-year secular state into an Islamic republic, also insisted on controlling the religious affairs directorate, the government body which controls and finances mosques.

The directorate is intended to enforce the mosque-state separation that is the cornerstone of secular state.

Mr Yilmaz argued that he could not allow the directorate to fall into "the hands of those with a different understanding of secularism".

UN accuses Bosnian leaders of pressing Serbs to quit

By Laura Silber in Belgrade

United Nations relief officials yesterday accused the Moslem-Croat federation and Bosnian Serb leaders of exerting pressure on Serbs to abandon their homes in parts of Sarajevo which are set to come under Bosnian government control under the Dayton agreement.

Mr Kris Janowski, spokesman for the UN High Commissioner for Refugees, accused the Bosnian Serb leadership of manipulating the fears of Serbs about their fate at the hands of the Moslem-led Bosnian government.

He also criticised the Moslem-Croat federation for establishing illegal checkpoints and conducting police searches of the homes of Serbs remaining in the five Sarajevo districts, which will be handed over by March 20 to the Bosnian government.

The Serb flight from Sarajevo – seen as a blow to the Dayton agreement which aimed to rebuild a unified Bosnia – continued yesterday, even though the peace process at the weekend received a boost when the Bosnian Serb military renewed contacts with the Nato-led Implementation Force.

It was the first meeting since February 8, when two senior Serb army officers were arrested by the Bosnian government as suspected war criminals and extradited to the international tribunal in The Hague.

The tribunal is due tomorrow to start a three-day public hearing of testimony from survivors of cluster bomb attacks on Zagreb last May which killed seven people. The testimony will be heard in proceedings against Mr Milan Martic, a rebel Serb leader.

Mr Martic stated at the time that he had ordered the Orkan rocket attacks in retaliation for a Croatian army offensive against western Slavonia, part of the rebel Serb state of Krajina.

There have been no indictments against the Croatian army, even though international observers reported crimes against Serb civilians in Krajina, where a rebel Serb state was crushed last August.

The Bosnian Serb leader Radovan Karadzic and his military commander, General Ratko Mladic, are named on a list of 52 suspects – 45 Serbs and seven Croats. All but one of the Serb suspects, including Mr Martic, are at large in Banja Luka, the Serb stronghold in Bosnia.

The tribunal has no police force and must rely on the co-operation of the leaders of former Yugoslavia and the international community. It was created by the UN Security Council in 1993, the first such tribunal since the war crimes trials in Nuremberg and Tokyo.

But those trials were conducted by the winners of the Second World War in sharp contrast to the current tribunal. The fragile peace accord in the Balkans also hinges on the compliance of the former warring parties, some of whom worry that they, too, could one day find themselves on the list of suspects.

Pentagon to identify arms deals for UK

Continued from Page 1

guide "smart" bombs on to their targets. This could be won by the GEC-Marconi TIALD pod, which was successfully used in Bosnia.

A $2bn order for 155mm battlefield guns could go to either Royal Ordnance, part of British Aerospace, or VSEL, owned by GEC. The US is also considering combining its requirement for a shorter-range, highly accurate cruise missile with a similar British need, though this is thought to have met with less favour in London.

The programme being promoted most actively by Mr Portillo is the short-range air-to-air missile Asraam, made by BAe.

The US badly needs a short-range missile to replace its venerable Sidewinder, but is reluctant to consider a foreign competitor for 20,000 missiles worth more than $10bn which are so important to its air defence needs.

"This is a programme which is very close to home, because pilots' lives depend on it," said one US executive.

THE LEX COLUMN

Europe's bitter medicine

Will continental Europe's increased willingness to take potent economic medicine eventually provoke a backlash? From a purist perspective, the more commercial approach shown by European companies, such as Daimler-Benz, Philips and Alcatel-Alsthom, is welcome. So is the fact that some governments are gradually weaning their companies off state hand-outs and running tighter macroeconomic policies in an attempt to meet the Maastricht criteria for monetary union. Harsh measures are needed if European industry is to thrive in an increasingly competitive global market.

The snag is that, in the short term, such medicine leads to unemployment. So far this year, attention to the bottom line has led Daimler to pull the plug on Fokker and Philips to force large job cuts at Grundig. Equally, the drying up of state aid was a factor behind Bremer Vulkan's bankruptcy last week. Meanwhile, tight macroeconomic policies have restrained economic growth and prevented some countries from bailing out their industries by devaluing their currencies. The result is that Germany's unemployment rate is 10 per cent and France's nearer 12 per cent.

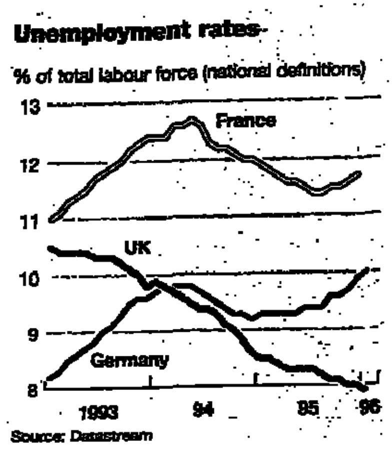
So far, the backlash has been limited. Only in France, where last year's wave of unrest forced the government to dilute its pro-market policies, has it yet had much practical impact.

However, the drive to restructure European industry is accelerating. In the private sector, nostrums such as shareholder value are increasingly taking hold. Moreover, as state-owned groups are privatised, they will face market disciplines. Even France has not abandoned the restructuring process; last week's decision to privatise Thomson SA and merge state-owned Aérospatiale with private-sector Dassault is a precursor to rationalising the defence industry.

Given such a trend, the possibility of a serious backlash cannot be dismissed. The main worry must be that politicians will respond to social disquiet by loosening macroeconomic policy or using other short-term palliatives. The transformation of European industry may yet be accomplished without major difficulties, but investors should not count on it.

Unemployment rates

% of total labour force (national definitions)



Source: Datastream

London Stock Exchange

The continuing row over whether the Stock Exchange should modernise its trading system highlights a more fundamental point: the exchange needs to modernise its corporate structure and turn itself into a proper company. Being a club owned by marketmakers and stockbrokers is the underlying source of its current problems. This creates a massive conflict of interest; instead of being able to focus on providing the best services to all its users, including investors and companies, the exchange is constantly forced to run itself in the interests of marketmakers and brokers. Hence, the sacking earlier this year of Mr Michael Lawrence, the chief executive, amid a dispute over whether to modernise the trading system; while his plan would have cut dealing costs, it would also have reduced big marketmakers' profits.

The way to eliminate this conflict of interest would be for the marketmakers and brokers to sell their shares in the exchange to the public – in the process floating it on its own stock market. Such a step should have the added advantage of turning the exchange from a slow-moving bureaucracy into a sleek commercial animal. Since the exchange would be run for profit, it would have every incentive to cut waste, speed up decisions and devise innovative new services.

Competition authorities would, of course, have to watch out that a commercialised exchange did not exploit its dominance to snuff out rivals and overcharge its customers. But, then again, there is nothing new about the exchange behaving in a monopolistic fashion.

UK bancassurance

Having snapped up Gartmore last week, NatWest now wants to get its teeth into a life assurance company. The strategy of developing its long-term savings business – one that many other banks share – is a sensible one. Baby-boomers are realising that they can no longer depend on the state to provide for them in old age. The result is a trend towards long-term savings rather than short-term deposits.

This makes life assurance an attractive business for banks, which are rightly concerned about the stagnation of their traditional markets. At present they are awash with capital and keen to do something with it to avoid dilution of their strong returns on capital. Furthermore, their efforts to develop in-house life assurance have been slow-going. Acquisitions would bring new client bases, as well as the chance to shunt new products through their branch networks.

All this means that banks are willing to overlook the fact that life assurers are currently feeling the pinch. Many mutuals have been losing money, as demand for life policies, a product area which requires an expensive infrastructure, has slipped. Confidence in some brand names has been undermined by mis-selling of personal pensions.

Meanwhile, the sight of so many building societies being taken over or dashing for flotation has altered the presumptions of mutual life assurers. The result is that almost every mutual, from Norwich Union down, is considering flotation, sale or closing its books. Abbey National's purchase of Scottish Mutual has shown that addressing concerns about financial strength can get policies back on to independent financial advisers' lists. Banks will have little problem finding willing vendors.

Of course, in the drive to create bancassurance combinations, life groups could also move into banking. Prudential, for example, is building a presence in telephone banking, which may enable it to keep more of the money from maturing policies in-house. But such a strategy is only realistic for biggest life groups.

Among the banks, Lloyds TSB (with Lloyds Abbey Life) and Abbey National (with Scottish Mutual) are already ahead of the game. For the likes of NatWest, the key is to find strong brand names and avoid overpaying. This is likely to be easier to achieve by buying mutuals rather than public companies, since mutuals' brands generally attract lower valuations. Given the plethora of choice, buying sensibly should not be too difficult. Banks will then, once more, be in charge of growth businesses.

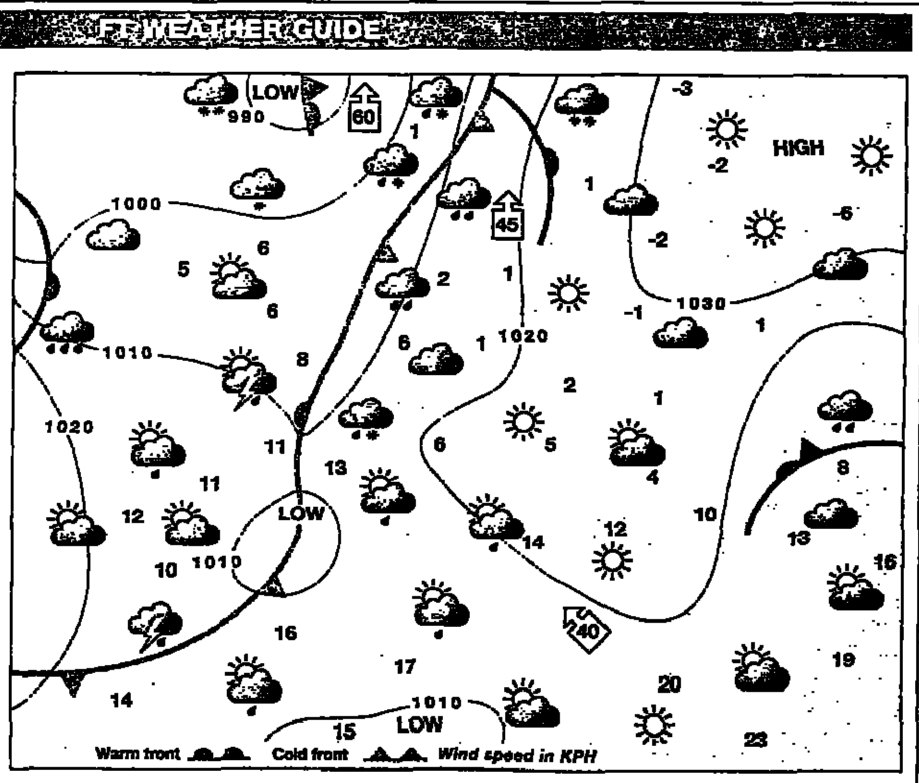
FT WEATHER GUIDE

Europe today

A frontal zone associated with a depression over the northern Norwegian Sea will linger across Denmark, the Benelux and north-eastern Spain. This will result in cloudy conditions with snow over Finland and eastern Sweden. Rain will affect Denmark, the Benelux and central France. Numerous showers will occur over southern France and north-eastern Spain. Much of the British Isles will be dry with sunny spells but Scotland and western Ireland will have showers. The southern Iberian peninsula and Italy will be dry with scattered cloud. The Balkans and central Europe will be dry with ample sun.

Five-day forecast

High pressure over Russia will extend towards western Europe and the British Isles, forcing Atlantic depressions to move north to Scandinavia or to be diverted south into the Mediterranean. As a consequence, conditions will become settled over the continent, while Scandinavia and the Mediterranean will experience abundant precipitation.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

		Maximum	Beijing	sun	8	Caracas	fair	29	Faro	sun	14	Madrid	cloudy	9	Rangoon	sun	32
		Celsius	Belfast	fair	4	Cardiff	shower	8	Frankfurt	fair	8	Majorca	fair	15	Reykjavik	cloudy	-5
Abu Dhabi	sun	25	Belgrade	sun	5	Casablanca	shower	15	Geneva	shower	10	Malta	shower	15	Rio	fair	32
Accra	sun	32	Berlin	fair	4	Chicago	rain	4	Gibraltar	fair	15	Manchester	fair	6	Rome	shower	13
Algiers	cloudy	16	Bermuda	cloudy	20	Cologne	rain	9	Glasgow	shower	5	Manila	fair	30	S. Frsco	fair	8
Amsterdam	shower	6	Bogota	fair	21	Dakar	sun	25	Hamburg	drzzl	7	Melbourne	fair	24	Seoul	cloudy	9
Athens	fair	11	Bombay	sun	31	Dallas	windy	27	Helsinki	snow	-1	Mexico City	sun	24	Singapore	cloudy	31
Atlanta	sun	26	Brussels	shower	8	Delhi	fair	25	Hong Kong	cloudy	15	Miami	fair	30	Stockholm	cloudy	2
B. Aires	fair	29	Budapest	fair	2	Dubai	sun	25	Honolulu	sun	28	Milan	rain	6	Strasbourg	fair	11
B.ham	fair	6	C.hagen	rain	3	Dublin	fair	5	Istanbul	rain	6	Montreal	fair	4	Sydney	cloudy	24
Bangkok	fair	36	Cairo	fair	19	Dubrovnik	sun	12	Jakarta	thund	29	Moscow	cloudy	-3	Tangier	shower	14
Barcelona	shower	13	Cape Town	sun	25	Edinburgh	fair	5	Jersey	shower	7	Munich	fair	6	Tel Aviv	shower	17
									Karachi	sun	27	Nairobi	fair	29	Tokyo	fair	14
									Kuwait	shower	19	Naples	fair	13	Toronto	cloudy	6
									L. Angeles	cloudy	13	Nassau	sun	28	Vancouver	fair	4
									Las Palmas	shower	20	New York	fair	11	Venice	cloudy	8
									Lima	cloudy	27	Nice	rain	13	Vienna	sun	1
									Lisbon	fair	13	Nicosia	shower	15	Warsaw	fair	-1
									London	fair	6	Oslo	sleet	2	Washington	fair	15
									Lux.bourg	rain	7	Paris	cloudy	8	Wellington	cloudy	19
									Lyon	rain	11	Perth	fair	35	Winnipeg	cloudy	-9
									Madeira	fair	17	Prague	sun	1	Zurich	shower	8